مكان من الاصل

FINANCIAL TIMES

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World Business Newspaper http://www.FT.com TUESDAY NOVEMBER 4 1997

THE GLOBAL COMPANY

Tore Bertilsson
SKF

'For all of us, there is a growing pressure to expand in emerging markets'.

Part eleven: **in tomorrow's FT**

WORLD NEWS

Diplomats seek to end UN dispute over Iraqi weapons

Tensions between Iraq and the United Nations eased slightly as a diplomatic mission headed for Baghdad to seek the resumption of UN weapons inspections. Iraq again refused to allow US experts into a missile site. Meanwhile, the US was sending extra aircraft to reinforce the "no-fly" zone over northern Iraq. Page 7

EU defends hormone ban
The European Union will defend its ban on imports of hormone-treated beef from the US and Canada at a World Trade Organisation appeal, hoping to overturn a WTO ruling that the ban broke world trade rules. Page 3

President Kim's son freed
Kim Hyun-chul, son of South Korea's president, was bailed from prison only three weeks after being convicted of bribery and tax evasion. Page 6

Priest barred from pulpit
Poland's Roman Catholic authorities banned Gdansk priest Henryk Jankowski from giving sermons for a year after he made anti-Semitic remarks.

Baron de Rothschild dies
Baron Edmond de Rothschild, head of the Swiss branch of the legendary banking family, died in Geneva aged 73. Page 20

Belgian tax fraud probe
Damien Wigny, 55, chief executive officer of Kredietbank Luxembourgeoise, was arrested in Belgium and charged with tax fraud. Page 3

Vietnam swept by typhoon
More than 200 fishing boats were sunk and hundreds more missing as a storm lashed Vietnam's southern coast.

Teachers resume talks
Canada's Ontario government resumed talks aimed at ending a teachers' dispute that has kept 2.1m pupils out of classrooms for a week.

Union membership falls
Under 20 per cent of workers now belong to a union in 48 of the 92 countries studied by the International Labour Office. US membership fell by 21.1 per cent from 1985 to 1995. Revival, Page 6

Secret service man charged
A British secret service agent was accused under the Official Secrets Act of going ahead with plans to write a book despite injunctions against its publication. Richard Tomlinson, 34, was remanded in custody.

New Zealand premier quits
New Zealand prime minister Jim Bolger stepped down after pressure from colleagues worried at his low poll ratings. Cabinet minister Jenny Shipley is expected to become prime minister. Page 6; Observer, Page 17

Fortune favours Dublin
Dublin heads Fortune magazine's 1997 international list of Most Improved Cities for Business.

Thai PM to resign
Embattled Thai premier Chavalit Yongchaiyudh said he would resign this week after 11 months during which Thailand slipped into a financial crisis that spread through Asia and beyond. Page 18

BUSINESS NEWS

Guinness and GrandMet set to tie the knot by Christmas

Guinness and GrandMet's £22bn merger to form the world's biggest drinks business looks set to be completed by Christmas – with a seasonal bonus of an extra £400m for shareholders. Page 19

Levi Strauss, world's biggest apparel maker, is shedding one in three of its manufacturing workers in North America. Page 18

Gazprom, Russia's largest company, is to sign a $3bn loan – its first big international borrowing since a $1.2bn bridge loan last summer. Page 19

US Airways has confirmed its order for up to 400 Airbuses – the biggest order Airbus has won and a significant victory for the European consortium in the Boeing-dominated US market. Page 8

Finland's government announced partial privatisation of state telecoms company Telecom Finland, in one of Helsinki's biggest sell-offs. Page 3

Flughafen Wien, operator of Vienna's main airport, has won a Sch3.8bn ($305m) contract to double Istanbul airport's capacity by building and running a new international terminal. Page 8

Astra, Swedish pharmaceuticals group, reported a 13 per cent increase in third-quarter profits as improved US sales of its anti-ulcer drug Losec offset slower growth in Europe. Page 22

Virgin Megastores and HMV, two of the UK's largest music and video retailers, have delayed plans for internet record stores until next year. Page 9

Israel's domestic telecoms network will be open to competition by January 1999, but investors will have to build their own infrastructure. Page 7

Boeing is to end production of the MD-80 and MD-90 aircraft made by McDonnell Douglas, which it took over earlier this year. Page 19

Indonesia cut trade tariffs and opened up its distribution and wholesale sector to foreign investors as part of a package agreed with the IMF. Page 6

Arig, the Gulf region's biggest insurance group, is going public through the $290m sale of 50.5 per cent by controlling shareholders Kuwait, the United Arab Emirates and Libya. Page 19

New Core, South Korean department store chain which is the country's 25th biggest business group, is expected to file for bankruptcy protection after defaulting on loans of Won6.8bn ($73m). Page 18; Lex, Page 18

Brazilian shares rebounded on hopes that the turmoil in financial markets is largely over and pressure for a devaluation of the Real has eased. Page 5

China Light and Power, Hong Kong's main electricity supplier, saw a 19.4 per cent rise in group earnings to HK$5.77bn (US$746m) in the year to October. Page 24

America's economy grew for the 78th consecutive month in October, said the US National Association of Purchasing Management. Page 5

Little hope of quick end to French blockade ■ Italian hauliers threaten stoppage

Truck drivers and owners persuaded to resume talks

By Robert Graham in Paris

Talks are due to resume today between striking French truck drivers and haulage company owners after government pressure to end a confrontation that threatens to damage the economy and antagonise France's neighbours.

But the tensions between unions and employers, still raw from a similar trial of strength a year ago, gave little hope of a quick end to the nationwide blockade that drivers set up on Sunday night.

In a move that could further disrupt goods flow in Europe, Italian haulage companies threatened a week-long stoppage from Sunday. Owners of small and medium-sized trucking companies are set to halt their heavy vehicles in protest at what they said was the Italian government's unwillingness to improve conditions for the haulage business.

The French strike began with greater immediate effect than last year's. The French national road information service said last night that 140 "filter" barrages had been set up and five full blockades at strategic points throughout the country. In the 1996 strike, it took a week to reach such a level of strangulation.

The most heavily picketed area was northern France, including the zone around the port of Calais, which handles France's freight traffic with northern Europe.

In spite of requests from the European Commission and the British and Spanish governments, whose haulage companies and freight are most affected, the Jospin government held back from clearing "safe corridors". Instead the authorities responded with selected police action designed to avoid provocation.

On Sunday night, a barricade was removed on the Spanish Basque frontier. Yesterday morning, one was removed on the frontier with Germany at Strasbourg.

In Spain, farmers' leaders warned of potential losses of $20m a day in fruit and vegetable exports. Some organisations in the hard-hit Valencia region called for a boycott of French products in retaliation.

Hundreds of truckloads of Spanish produce were caught in the early hours of the strike yesterday although the main border crossings, which the country relies on for the bulk of its freight to and from the rest of the EU, remained open.

British police in the main English Channel port of Dover reported a reduction of nearly 50 per cent in its normal daily freight traffic yesterday, with many operators keeping drivers at home or opting for alternative routes to continental Europe.

Marc Blondel, head of Force Ouvrière, which represents the second-largest number of French drivers, warned the government to avoid "provocation".

Jean-Claude Gayssot, French transport minister, yesterday met Unostra, the federation of small hauliers, and the UFT, the main haulage companies within the biggest federation, FNTR. The latter two had walked out of talks on Saturday, while Unostra had signed a deal granting an immediate 5 per cent pay rise with four of the main unions.

Additional reporting by David White in Madrid, James Blitz in Rome and Jimmy Burns in Dover

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Le picnic: Spanish truckers halted by a blockade at a French toll station lunch at the roadside Picture Reuters

UK 'will use EU presidency to back single currency'

By Robert Peston in London

The UK government said yesterday that it would use its position as European Union president in the first half of next year to "ensure that those countries who wish to form a single currency can get off to the best possible start".

In an attempt to allay concerns in other EU countries about the UK's commitment to European economic and monetary union, Robin Cook, foreign secretary, said the UK wanted it "to be a success".

His statement followed last week's announcement by Gordon Brown, the chancellor of the exchequer, that the UK would not join Emu at the 1999 launch but wanted to do so later – although probably not before the general election, due by the spring of 2002.

The plan was to be ready for membership "early in the life of the next parliament", said Mr Cook, who is normally regarded as being on the wing of the government more hostile to Emu.

In a signal of the UK's commitment to prepare for membership, Eddie George, Bank of England governor, speaking in Frankfurt, said: "In monetary and fiscal policy fields we will be pursuing a parallel track to the Euro-land countries."

Mr Cook was announcing the agenda for the British presidency, whose overriding theme would be "giving Europe back to the people". His speech, to the Institute for European Affairs in Dublin, paves the way for the formal launch of the presidency by Tony Blair, prime minister, in December.

Like several EU governments before, the UK has decided to make a priority of tackling the perception that the "EU seems to spend too much of its time discussing things that do not touch the people's lives, abstractions and institutions, rather than a concrete agenda".

Mr Cook identified three issues "of paramount concern to the people of Europe". These were "keeping and finding a job", crime and the environment.

The UK would also be pressing for an EU code of conduct on arms exports to prevent other European countries obtaining contracts from countries rejected by the UK as unfit on human rights grounds for the purchase of military equipment.

On the issue of enlarging the EU, Mr Cook proposed a conference where applicants for membership would participate, irrespective of whether they were ready to join in the short term. This would show "we already regard the applicants as partners and members of the European family".

The UK wants to shift the EU's employment agenda away from staff rights and corporate regulation through the social chapter. It wants the focus on the encouragement of education, entrepreneurship, equal opportunities and creating so-called flexibility so that companies can "adapt to a fast-changing market".

Tory turmoil, Page 9

Hashimoto appeals for calm as Sanyo Securities goes bankrupt

By Bethan Hutton in Tokyo

Ryutaro Hashimoto, the Japanese prime minister, yesterday urged the ministry of finance to maintain calm in the markets after Sanyo Securities became the first Japanese brokerage in postwar history to file for bankruptcy.

The broker filed for protection from creditors yesterday with debts of Y373.6bn ($3bn) and excess liabilities estimated at Y76bn. It will stop accepting new business and start closing out market positions today.

The top management at Sanyo is also likely to resign this week. Takashi Ikeuchi, the company president, and Shiro Urashima, the chairman, bowed in apology at a news conference held at the Tokyo stock exchange yesterday.

Sanyo's position became untenable late on Friday after nine of its main creditors, led by Nippon Life Insurance and Dai-Ichi Mutual Life Insurance, refused to roll over loans totalling Y20bn due to expire on October 31 1998.

The move meant the subordinated loans became classified as short-term debt, and could no longer be counted towards Sanyo's capital, pushing its capital adequacy ratio below the danger level of 120 per cent.

Japan's ministry of finance has said repeatedly that weaker financial institutions should be allowed to fail for deregulation and the introduction of greater competition to be effective.

But Sanyo is to be given a final chance to restructure itself under court protection, and the ministry has been pushing Sanyo's creditors and main shareholders to support it during restructuring. Customers would be fully protected, the ministry said.

The ministry added yesterday that Sanyo's difficulties were a "special case" as they resulted not from core operations but from the heavy debt burden taken on with the Y80bn bailout three years ago of several affiliated companies, chief among them a non-bank lender, Sanyo General Capital.

At the time, Sanyo Securities arranged a restructuring package with its main creditors, including the Y20bn of loans from the insurance companies and Y20bn of new equity capital from a group of banks and

Continued on Page 18

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7602.20	(+160.12)
NASDAQ Composite	1621.24	(+27.63)
Europe and Far East		
CAC40	2787.98	(+48.66)
DAX	3854.07	(+127.38)
FTSE 100	4906.4	(+64.1)
Nikkei	closed	
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	5.225%	
Long Bond	102¾	
Yield	6.194%	
OTHER RATES		
UK: 3-mo Interbank	7¼%	(7¼%)
UK: 10 yr Gilt	104 875	(105.156)
France: 10 yr OAT	98.93	(98.32)
Germany: 10 yr Bond	102.66	(103.06)
Japan: 10 yr JGB	109.67	(same)
NORTH SEA OIL (Argus)		
Brent Dated	$18.45	(19.58)

GOLD		
New York: Comex		
	$313.6	(311.3)
London:		
	$313.15	(312.55)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.677	
DM	1.73335	
FFr	5.80785	
SFr	1.40905	
Y	121.16	
London:		
£	1.677	(1.6769)
DM	1.7362	(1.7211)
FFr	5.808	(5.756)
SFr	1.4152	(1.3964)
Y	120.79	(120.27)
Tokyo closed		Y
Sterling		
DM	2.9115	(2.8862)

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Bahrain	Din1.300	Belgium	BFr80	Cyprus	C£1.35
Denmark	DKr21.00	Estonia	EEK34.00	Finland	FmK19.00
France	FFr12.50	Gibraltar	£1.75	Greece	Dr450
Hungary	Ft240	Iceland	IKr285	Jordan	JD1.75
Kuwait	Fils750	Latvia	Ls 1.65	Lithuania	Lit11.00
Luxembourg	LFr80	Morocco	Dh13.00	Netherlands	Fl6.00
Nigeria	[illegible]	Norway	NKr21.00	Oman	OR1.75
Poland	Zl 7.50	Portugal(Cont)	Esc280	Qatar	QR13.00
S.Arabia	SR13.00	S.Africa	R13.60	Spain	Pta275
Sweden	SKr22.00	Syria	SP 80.00	Switzerland	SFr3.80
Tunisia	Din2.000	UAE	Dh13.00		

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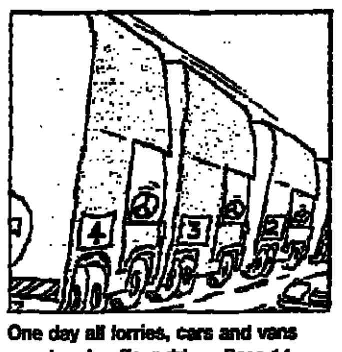
Inside

COMMENT & ANALYSIS



One day all lorries, cars and vans may be chauffeur driven Page 14

TECHNOLOGY

FINANCE

EMERGING MARKETS

Italian hauliers plan stoppage

By James Blitz in Rome

The French truck drivers' strike last night looked set to be accompanied by a similar stoppage in Italy, this time by the owners of small and medium-sized hauliers complaining about tough business conditions.

In a move that could further disrupt goods flow in Europe, the National Association of Artisans and Small Enterprises (Fita), a truck drivers' pressure group, said it would stop running vehicles next week in protest at what it said was the government's unwillingness to improve conditions for the truck business.

Fita said truck companies, which account for about 80 per cent of freight shipments in Italy, would stop business from November 9 until November 16. It said the inconvenience which the Italian public would face as a result of the move had, as its cause, "a government that does not respect accords which it has reached" over reform of the road haulage business.

Alfredo Trappani, secretary-general of Fita, said it was a serious matter that, a few days before a transport stoppage of this scale, the government was remaining silent and had undertaken no initiative to hold talks to defuse the crisis. He said that next week four-fifths of the trucks which transported goods in Italy would remain parked in garages.

However, the association appeared to be holding back last night from announcing a blockade of roads in the manner adopted by the French unions.

Several truck drivers' federations are joining Fita in insisting that the government reform regulations that would bring the costs of operating in Italy in line with those in other European Union countries.

In particular, it wants the government to begin a review of the higher charges for driving trucks through Italy. The specific items of concern are the higher charges at motorway tolls, the cost of labour and the higher cost of petrol.

"In Italy, petrol is around L164 (9 US cents) a litre more expensive than the European average," said Paolo Ugge, secretary-general of the Federation of Independent Italian Transport Companies, another lobby group. He called on the government to consider ways to reduce tariffs on the cost of fuel, which are set to rise in the budget for 1998.

The one exception to the stoppage next week will be work to supply areas in Umbria and the Marche region struck by a recent series of earthquakes. These areas will continue to be supplied with medical and other assistance.

See Comment and Analysis

Russian steel mill rivals forge peace

By Chrystia Freeland in Moscow

One of Russia's most hard-fought corporate battles, the struggle between Soviet-era directors and outside shareholders for control of the country's second largest steel mill, appears to be edging towards a compromise, combatants on both sides said yesterday.

The fight over the Novolipetsk Metallurgical Kombinat, a big producer of steel and refrigerators some 450km south of Moscow, has been billed as one of the defining conflicts of Russian capitalism.

Outside shareholders, who claim they have been illegally denied representation on the company's board, have seen the struggle as a pivotal effort to protect shareholder rights in Russia's market economy.

By contrast, the plant's bosses have viewed the showdown as an attempt to protect Russia's impoverished proletariat from western carpetbaggers.

But after months of acrimony, which has included a rash of court cases and contentious shareholder meetings patrolled by armed guards, the warring parties appear to be edging towards a deal.

"A consensus between the management and the shareholders has been found, I cannot say anything more," Valery Saprykin, the plant's press secretary, said in a telephone interview yesterday.

Renaissance Capital, a Moscow-based brokerage which is part of a loose alliance of outside shareholders who argue their rights have been violated by the plant management, also hinted that conciliation might be in the air.

One of the key players in the battle has been Vladimir Lisin, a former metals trader who became an influential board member at Novolipetsk, working in concert with the factory's managers.

Throughout the dispute, Mr Lisin and the management appeared to have enjoyed the quiet support of the Trans-World Group, a London-based metals trader which has been one of the main buyers of Novolipetsk steel. Through various companies, Trans-World is believed to own some 38 per cent of the steel mill.

However, recently Mr Lisin appears to have severed his relationship with Trans-World and seems inclined to defect to the group of outside shareholders who call themselves the "reform" camp.

Over the weekend Mr Lisin said he had halted metal deliveries to Trans-World because, he claimed, they owed the plant $220m-$230m.

Trans-World denied Mr Lisin's charge, saying the minor debts of one of its trading companies to the mill was off-set by substantial investments it had made in the company, including helping to secure a $500m credit line.

But the falling-out with Mr Lisin appears to have prompted Trans-World to adopt a more conciliatory attitude toward the "reform" shareholders.

Allan Bekor, managing director, said the company was now seeking to reach an agreement among all shareholders.

Lille veterans target distribution centres

By Robert Graham in Lille

Flames from the barricade bonfire lit by protesting French truckers leap eerily in the gloom of the freezing dawn fog outside Lille.

Michel Dereignieux and six colleagues have been manning the blockade all night.

They are well prepared with a huge pile of wood palettes requisitioned from a nearby warehouse.

"We were among the first in the country to mobilise yesterday," said Mr Dereignieux, who has been trucking for 17 years and helped organise last year's strike action around Lille.

"We started three hours before the deadline and we will stay as long as we have to to get a good deal."

He and his comrades shrug off the cold as they are about to be relieved by a day shift.

Two control the blockade – a rubber tyre and roadworks sign – that forces traffic to filter through in single file in one direction at a time.

Theirs is one of eight blocks set up at strategic points round Lille, the key distribution point for northern France, the Channel ports and Belgium.

"Some 200 companies are based here, including supermarket chains.

"We will let private cars and medical supplies through but no big trucks," said Mr Dereignieux.

In contrast with the 1996 stoppage, the motorways are being left free and the process of strangling France's distribution jugular is more deliberate.

Where necessary the strikers are using their own cars. "The haulage companies got wind of the strike and ordered all trucks back on Friday, so we couldn't use them in the blockade," said Mr Dereignieux.

> 'I don't dare move in either direction because I don't want them throwing stones'

The Lille truckers voted unanimously on Sunday to ignore the call from national union leaders to hold off their protest after a basis of agreement had been struck with one of the haulage owners' federations.

Mr Dereignieux earns a maximum FFr7,000 ($1,186) a month, FFr1,000 below the minimum from which a 5 per cent rise was proposed on Sunday.

He and his companions argue that the hours they face are long, the pay is miserable, and most of their employers have no intention of honouring their agreement.

"The big trucking companies do not mind being tough because they want to squeeze the small ones out of the market before European deregulation in July next year.

"They have no compunction about causing economic damage to the country and believe the police will adopt a low profile.

"They wouldn't dare be provocative."

One of the first victims of the blockage is Hervè Dobbelacre, who arrived at 5am in his truck to collect a load of mineral water for a destination in Wakefield, northern England.

He has pulled off the road and is eyeing the barricade cautiously from the safety of his cab.

"I don't dare move in either direction because I don't want them throwing stones," said Mr Dobbelacre, wary after having spent 24 hours blocked at a Channel port during the last trucking dispute in 1996.

"I'll just have to wait and see what happens."

Spain alarmed by spectre of rotting fruit

By David White in Madrid

Farmers' organisations on Spain's Mediterranean seaboard yesterday raised the alarm over potential losses from the French strike, launched at a critical time for exports of citrus fruit and hot-house vegetables to European markets.

Local prices for perishable farm produce were reported to have fallen by up to 40 per cent in the last few days in anticipation of the strike. Still smarting from the impact of the French transport strike a year ago, farm leaders in southern Spain warned of "incalculable costs".

The spectre of rotting fruit marooned on French highways prompted agricultural organisations in the Valencia region to call for a boycott of French products, repeating a successful campaign staged earlier this year in retaliation for the destruction of Spanish produce by protesting French farmers.

Eduardo Zaplana, the region's conservative president, threatened to "defend our interests with radical measures" if French police failed to protect the transit of Spanish exports. At this time of year some 2,000 truckloads set off daily for the French border from the orchards of eastern Spain.

The Confederation of Farm Co-operatives estimated losses could reach Pta3bn ($21m) a day. About 40,000 Spanish truckers could be affected.

Regional authorities in Andalucia called for the government to arrange alternative sea routes. Exporters in the hot-house farming centre of eastern Andalucia were considering chartering roll-on-roll-off vessels if the strike continued.

But the secretary of a local farmers' body said it was "practically impossible" to find an alternative to road transport for sending all the region's EU-bound production.

The strike also threatened to hit production at Spanish car plants and other factories depending on regular parts supplies from France and Germany. Last year output was brought to a halt at several plants belonging to multinational groups, including the large Citroën factory at Vigo in north-west Spain.

Finland to sell stake in state telecoms group

By Tim Burt in Stockholm

The Finnish government yesterday announced the partial privatisation of the state telecommunications company, a process which is set to become one of the country's biggest sell-offs to date.

The imminent sale of a stake in Telecom Finland will value the company at up to FM20bn ($3.87bn).

Government officials said up to 20 per cent of Telecom Finland would be sold initially, with a further sale once the five-party coalition had secured parliamentary approval to cut the state's ownership to 51 per cent.

No timetable has yet been put forward for the sale and the government is in the process of appointing domestic and international financial advisers.

The plans to privatise Telecom Finland follow the sell-off of state holdings in companies such as Valmet, the forestry machinery group, and Neste, the Finnish oil company, in recent years.

The government last month paved the way for the privatisation by announcing its intention to split off Telecom Finland from PT Finland, its parent company.

Finland Post, the postal arm of PT Finland, will remain in state hands.

A spokesman for Telecom Finland, which controls 80 per cent of the country's mobile telephone market and 62 per cent of international calls, said the initial sale of shares would raise FM2bn-FM4bn.

The group, which employs 7,500 people, last year made pre-tax profits of FM798.3m on sales of FM6.4bn.

Industry analysts said the sale would be watched closely by the Swedish and Norwegian governments, which are thought to be considering privatisations of Telia and Tele-Nor, their respective telecommunications groups.

Euro's impact reaches from high office to corner store

Preparing for Emu

It is not just Europe's business sector that is readying itself for economic and monetary union. Public servants, from high-ranking eurocrats in Brussels to post-office clerks in the Austrian Alps, face similar problems in preparing themselves for life after national currencies.

Preparations in the member states are running at different speeds. Seven countries – Belgium, Ireland, Italy, Luxembourg, the Netherlands, Austria and Finland – have opted for the fastest and most comprehensive changeover scenarios.

These countries have issued transition plans or detailed statements of intent, with a full "euro-option" for companies during the change-over phase from 1999-2002. During this time, the euro, the new single currency, can be used in parallel to the national currencies – but only for non-cash transactions, as euro coins and notes will be not introduced before 2002.

In the transitional phase, state organisations, companies and individuals will operate under the principle of "no compulsion – no prohibition" whereby they are allowed, but cannot be forced, to use the euro.

A full euro-option will permit companies to switch over to the euro in their accounts, tax declarations and tax payments from the 1999 financial year. Once companies have opted for the euro, they cannot revert to the national currency.

Belgium, Italy, Luxembourg, the Netherlands and Austria would also permit tax declarations and payments in euros for the public at large, a European Commission official said. In Finland, only self-employed people who earn more than 50 per cent of their income in euros will be able to take this option.

In Ireland, it will only be possible if the taxpayer's employer is paying taxes in euros as well.

In France, the current position is that companies will have to pay taxes in French francs during the transition phase, although a final government decision on whether to allow euro payments is expected soon.

Parking at a premium: Will Italians be prepared to pay E1.57 instead of L3,000 for a car space?

In Germany, Theo Waigel, finance minister, wants to reach an agreement on this point with the Länder, the federal states, by the end of the year.

A consensus is required as the Länder execute federal tax laws. Business is pushing for a changeover in 1999 as most of the big and some of the smaller companies will then switch their accounting to euros.

Spain will permit company accounting and reporting in the euro for 1999 and onwards. Decisions on taxes, fees and social security payments are expected to be taken during coming months.

Portugal intends to issue a transition plan by the end of the year.

Sweden and the UK have established task forces to handle this issue. The UK has recently launched a high-level standing committee to look into all practical aspects of Emu, but UK entry is too distant for comprehensive preparations at this stage.

Another crucial point is software development. The cities will bear the biggest share of the burden as they will have the closest contact with the public.

Administrations will have to order systems for accounting, budgeting and payments as soon as possible to avoid shortages and price rises. Frankfurt and Munich announced they will start running their finances both in euro and D-Marks in 1999.

A huge part of the technical equipment – such as parking meters, vending and postage machines, cash-desks and counting machines – needs to be newly programmed or completely changed. Cities will have to update large sections of their paperwork to accommodate the new currency.

Another problem is the calculation of euro prices. Prices such as E1.57 instead of L3,000 for a parking space, or E8.36 instead of DM16 for a weekend bus ticket might not find acceptance among the public. The problem of rounding-up abounds. Many people, including the German association of taxpayers, fear administrations will not resist the temptation to raise charges.

In October, the Commission urged member countries to launch their national information campaigns without delay and deliver their transition plans by the end of the year, including their positions in regard to accounting and tax declarations.

But it is up to the public administrations in member states to carry out the transition itself.

Ironically, for the main European Union institutions the amount of specific changeover legislation is relatively limited. It is confined to a few specific areas, such as the internal market, customs, indirect taxation and agricultural subsidies. But at lower governmental levels throughout the EU, the change will be momentous.

Jens Tartler

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NEWS: EUROPE

NEWS DIGEST

Balkan leaders agree to meet

Leaders from seven Balkan countries yesterday agreed to hold regular summit meetings to promote closer ties in the region. Turkey will host next year's summit at Antalya, while Greece has offered to provide a permanent base for co-ordinating economic co-operation.

Costas Simitis and Mesut Yilmaz, the Greek and Turkish prime ministers, were to hold talks yesterday evening aimed at easing tensions in the Aegean.

The Albanian and Yugoslav leaders, Fatos Nano and Slobodan Milosevic, were scheduled to discuss inter-ethnic relations between Albanians and Serbs in Kosovo. Theirs will be the first meeting of Albanian and Yugoslav leaders in almost 50 years.

Mr Simitis called for tariff barriers to be lifted in south-east Europe and for closer co-operation to improve energy output, transport and telecommunications. Economic transition in ex-communist countries in the Balkans has lagged behind the rest of eastern Europe, while Greece attracts little foreign investment despite being the region's only EU member.

Kerin Hope, Agia Pelagia, Crete

■ GREEK DRACHMA

Rise in rates stops attacks

Attacks on the Greek drachma ceased yesterday after sharp rises in key interest rates on Friday.

The drachma was fixed at 309.90 against the ecu yesterday, from Friday's 309.65, and dealers said there were foreign exchange inflows of about 250m ecus, reversing the recent outflows. "For now, the Bank of Greece has won," said one emerging markets strategist in London. Rates in the interbank depo market, which had risen sharply on Friday, fell about 20 percentage points yesterday.

Greece has been pursuing a "hard drachma" policy for at least three years, helping to bring down inflation from double digits to the present 5 per cent.

But many currency strategists think that the drachma is overvalued, leaving its peg to the ecu vulnerable to attack before Greece enters European economic and monetary union, possibly in 2002. Last week's drachma crisis was sparked by the fall in Greek bonds and the slide in emerging markets worldwide. *Simon Kuper, London*

■ SPANISH TV

Court dismisses charges

A Madrid court yesterday dismissed the main charges against the television company Sogecable after a controversial nine-month legal investigation into its finances.

The case, one of the more bizarre ramifications of Spain's highly-politicised television wars, was brought as a private prosecution by, among others, an ultra-conservative magazine editor.

The Prisa media group, the main partner in Sogecable alongside France's Canal Plus, maintains that the case was based on a report commissioned by a senior official in the centre-right government.

The National Court rejected charges of misappropriation and fraud and said there was nothing criminal about the company's use of deposits from subscribers to Spain's Canal Plus pay-TV network.

David White, Madrid

■ BELGIAN INVESTIGATION

Kredietbank executive held

Investigators yesterday questioned the head of a Luxembourg-based subsidiary of one of Belgium's leading business groups, who was arrested over the weekend on fraud and money-laundering charges.

Damien Wigny, president of Kredietbank SA Luxembourgeoise, was held in a Brussels jail after his detention in connection with an investigation into an alleged tax dodge involving billions of francs. In a statement, KB-Lux expressed outrage at Mr Wigny's arrest and denied all accusations brought against him.

"All the transactions carried out by the bank are in total compliance with Luxembourg law," the bank said.

KB-Lux has been under investigation since allegations emerged in the summer of 1996 that some 300 Belgians, including leading business figures and politicians had hidden large amounts of money there to avoid paying taxes. *AP, Belgium*

■ BUDAPEST PROTEST

Farmers against land reform

Scuffles broke out yesterday in Budapest, as police clashed with a militant farmers' group protesting against proposed land reforms.

Although the government has no immediate plans to introduce the reform, some agricultural groups are incensed by the possibility of foreigners acquiring arable land. Protestors are also angry about low farm gate prices for produce.

Police had earlier banned a procession of slow moving tractors through the capital planned by the group. The crowd of 300 farmers jostled police as officers detained the suspected leader of the group.

The government has been seeking to amend the law to allow co-operatives and companies with a track record of farming to own arable land, which currently can be held only by Hungarian citizens. *Kester Eddy, Budapest*

EBRD report

The telephone number of the EBRD Publications Desk was wrongly reported in the paper of November 3. The correct number is 44-171-338-7553.

Tietmeyer hangs fire on rates

By Andrew Fisher in Frankfurt

Hans Tietmeyer, president of the Bundesbank, yesterday sought to damp expectations that German interest rates would have to rise again soon to reach a high enough level by the start of European monetary union.

The necessary convergence level for short-term interest rates would depend largely on which countries were selected, he said. The choice would not be made until next May. Moreover, the appropriate rate level for the end of 1998 – just ahead of Emu's scheduled start in January, 1999 - would depend on economic data at the time.

The German central bank raised its securities repurchase (repo) rate from 3 per cent to 3.3 per cent last month. Mr Tietmeyer said the need to curb inflation ahead of Emu, and thus transfer the confidence enjoyed by the D-Mark to the euro, was an important reason for the increase.

The market correction 'was unavoidable and probably beneficial'

"We must now await further developments," he said. He welcomed the fact that some data, especially German money supply, had moved positively.

Mr Tietmeyer ruled out imminent further repo rises, but economists expect short-term interest rates in Emu countries to rise to about 4.5 per cent by the end of next year to put them in harmony as economic growth picks up.

This is likely to mean the repo rate will rise faster than justified by monetary conditions in Germany, which is behind some potential Emu members in the economic cycle.

Mr Tietmeyer also referred to recent turbulence in world financial markets, agreeing with Alan Greenspan, chairman of the US Federal Reserve, that the stock market correction was unavoidable and probably beneficial.

He did not link German monetary policy to the market upsets, although economists feel these will cause Germany and the US to hold off for a time on further rate rises.

● Yves-Thibault de Silguy, European monetary affairs commissioner, yesterday said the decision by EU leaders on which countries will enter a single currency from 1999 will be taken on May 2, 1998, Reuters reports from Brussels.

The European Commission had been expected to confirm the choice of the first weekend in May for the key Emu decisions after Britain last month released a draft timetable for its six-month EU presidency, which starts in January.

That timetable singled out the May weekend as the best for the Emu decision, but added that details still had to be arranged.

Mr De Silguy reiterated EU leaders would make their decision on the basis of European Commission and European Monetary Institute proposals, due to be released in March, on which countries qualify for economic and monetary union.

Commissioners await BSE verdict

By Michael Smith in Brussels

Rarely has a Euro-parliamentarian been shown such deference. In the past nine months a string of European commissioners – the men and women who run the European Union – has trooped in to face interrogation by Dagmar Roth-Behrendt and her colleagues investigating the handling of the BSE (mad cow) crisis.

One or two commissioners have tried to escape a mauling in the parliamentary den but, once they have got there, no trouble has been too much. No one wanted to risk their job.

This week the BSE committee will finalise the report which the full parliament will study before deciding whether the Commission should be sacked.

If MEPs did vote for such a move, the 15 EU governments would move quickly to reinstate the Commission. But censure would weaken the Commission's authority and raise awkward questions about the EU's constitution.

No one can be sure of the outcome. However, the mood of MEPs is less angry than earlier in the year and the Commission can at least expect Mrs Roth-Behrendt to back it against dismissal.

That was something it could not have been sure of when the BSE committee was set up nine months ago.

"Like so many people I was really annoyed," Mrs Roth-Behrendt said. "Agricultural policy was run by a closed shop and the people running it had failed to take notice of the danger of BSE."

Mrs Roth-Behrendt had good qualifications for the chair. A 44-year-old law graduate and MEP since 1989, she is a member of the majority socialist group and has a record of involvement in environmental and consumer protection issues. She also represents Germany, the country where public outcry over the BSE crisis has been most intense.

With work almost complete, the committee is likely to accuse the Commission of failing to take decisive enough action against officials considered responsible for the BSE crisis and against the UK government for its role.

Roth-Behrendt: step in the right direction

Mrs Roth-Behrendt said it is not the committee's job to recommend for or against a censure.

"My own view, however, is that the Commission has moved much farther than any of us thought possible."

The Commission has introduced reforms which include transferring responsibility for human health from the agriculture commissioner to the consumer policy commissioner, placing a greater priority on food policies, and promoting environmental causes in agriculture.

Mrs Roth-Behrendt said much of the improvement is down to Mrs Emma Bonino, consumer affairs commissioner, and her directorate. "She was determined to help fulfil the wishes of parliament.

"That is new. Normally the Commission gives out very little."

Mrs Roth-Behrendt thinks the work of the last nine months will have a lasting effect. "The Commission is now aware that it cannot do just whatever it wants. This is a step in the right direction towards a system with the right checks and balances."

However, she shows no signs of wishing to extend the mandate and deliberations of her committee, as some MEPs would like. While she acknowledges that her role has been stimulating, she says: "I did not enjoy it so much that I am not glad it is ending."

The commissioners' discomfort may soon be over.

EU defends ban on hormone-treated beef

By Neil Buckley in Brussels

The European Union will today defend its ban on imports of hormone-treated beef from the US and Canada before a World Trade Organisation appeals body, in an attempt to overturn a WTO ruling that the ban broke world trade rules.

The beef ban is one of two controversial trade disputes between the EU and US in which the Geneva-based trade body has ruled against Europe. The other is the EU's $2bn a year banana import regime, which the WTO recently ordered the EU to modify after backing a US-led complaint.

European Commission lawyers will argue that the WTO ruling on the EU's hormone-treated beef ban challenges the fundamental right of governments to choose the level of health protection they consider necessary for their citizens. That right, they say, was enshrined in the so-called Sanitary and Phyto-Sanitary (SPS) agreement, part of the Uruguay Round of world trade talks.

They will also argue that the WTO's disputes panel set up to investigate US and Canadian complaints about the ban was wrong to accept a majority view of three out of five scientific experts it consulted that hormone-treated beef is safe.

The EU says two of the experts backed its claim that there were legitimate concerns that hormone-treated beef could cause cancer and that the ban could be justified – but this was ignored in the WTO panel's ruling.

Brussels officials will argue that it is wrong to base decisions on human health issues on majority scientific views.

The appeal body has until December to decide whether to overturn the original ruling. If it does not, the EU must either remove the eight-year ban, or pay compensation to the US and Canada equivalent to the amount of trade lost. The US says the ban blocks beef exports to the EU worth up to $250m a year.

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Despite calls for a clean-up after the Susurluk affair the trail has grown cold, highlighting institutional problems

Turkey's 'state within a state' survives scandal

One evening a year ago, a Mercedes-Benz limousine hurtling along a Turkish highway smashed into a truck, killing all but one of its four passengers. A senior policeman, a wanted gangster and his former beauty queen girlfriend died instantly. The fourth passenger, Sedat Bucak, a government MP, survived.

The crash, outside a small town called Susurluk, unleashed one of Turkey's biggest political scandals. It appeared to confirm widely held suspicions that corrupt politicians, crooked policemen and the Turkish mafia were in league with each other. A year later, lack of progress in the case has highlighted many of Turkey's institutional problems.

Parliament unanimously voted for a full investigation. State prosecutors went to work. The combative media uncovered connections between politicians, the security forces, casino bosses and heroin smugglers. Reporters described how governments hired ultra-rightwing hit men, including the gangster killed in the accident, to assassinate "enemies of the state".

Protesters took to the streets in their thousands to demand an "end to the gangs". For months, people across Turkey turned off the lights in their houses for one minute every evening at precisely 9pm to demand tough measures against corruption. Mehmet Ağar, the interior minister, resigned after the media linked his name to underworld figures.

The fragile edifice of Turkey's secular state, then controlled by an Islamist prime minister, seemed to be tottering. Hasan Cemal, a political columnist, commented: "The state is coming apart at the seams. The system is degenerating. [Politicians] are incapable of perceiving the waves of pessimism and disillusion and indignation engulfing society."

Yet today, the Susurluk affair seems strangely distant. Trails that seemed to point to the highest reaches of government led nowhere. Parliament's investigation was a whitewash. MPs refused to strip Mr Bucak and Mr Ağar of their parliamentary immunity from prosecution. Generals ignored demands by the Islamist head of the parliamentary investigation committee to testify about suspected involvement of soldiers in drug smuggling and gun-running. In September, an Istanbul security court released all eleven defendants in the affair, mainly lowly functionaries and policemen.

Anti-corruption demonstrations turned into protests against the Islamist-led coalition of Necmettin Erbakan. The secularist majority sensed that rocking the boat too much could threaten stability and help the Islamists, who have denounced corruption gnawing at the secularist system for years. In June, the generals forced Mr Erbakan from power in a "soft coup" because he refused to adopt policies to reinforce the secular state. Much of the clamour for a clean-up evaporated with the fall of Mr Erbakan and his partner, Tansu Çiller. Most of the suspects in the Susurluk affair were linked directly or indirectly to her True Path party.

To many, the Susurluk incident demonstrates the limits to the powers of the media, public opinion, the judiciary and parliament to control the government and the powerful security forces, often referred to as a sinister "state within the state".

Courts are unable to try anyone involved in the affair, but swiftly convict human rights campaigners. In October, the head of the Turkish Human Rights Association was sentenced to a year in prison, and Eşber Yağmurdereli, a blind human rights lawyer, was jailed for 23 years.

The establishment emerged from the Susurluk affair stronger than ever. Far from being criticised for toppling an elected government or thwarting scrutiny of the state's inner workings, generals are applauded when they appear in public. However, the European Commission cited the military's political role as another reason for rejecting Turkish membership of the European Union, in addition to human rights violations, disputes with Greece, strife in the Kurdish southeast and a dysfunctional economy.

Mesut Yilmaz, the conservative who became prime minister after Mr Erbakan and Mrs Çiller quit, has dropped his strident promises to clear up the scandal. Mr Yilmaz is honest and appears determined to straighten out the economy, but has shrunk from challenging the security apparatus. The general staff ignored his demands to disband a military committee set up when Mr Erbakan was prime minister to monitor anti-secular activities.

The Susurluk scandal may have vanished into the mists of time but many of the problems continue. The question of who has control is as urgent as ever. Tension with Greece is rising but few are sure whether the civilians or the generals decide policy towards Athens.

Ismet Berkan, a political analyst, said: "It is as if the gangs never existed, that corruption allegations against politicians have disappeared, that Turkey has no restrictions on freedom of expression and does not have a Kurdish problem, or that structural measures are not needed to reduce inflation. It is as if Turco-Greek disputes did not exist and that the European Union was willing to consider Turkey as a member."

John Barham

Mesut Yilmaz, the conservative who became prime minister after Necmettin Erbakan and Tansu Çiller quit, dropped his strident promises to clear up the scandal Reuters

Uneasy peace in Kosovo may be coming to an end

In worst scenario, rising anger and frustration among ethnic Albanians in Serbia could spark violence and drag neighbours into a fresh Balkan war

By Guy Dinmore in Pristina

Under the watchful eye of Serbian riot police outside Pristina's main court, Mona Neziri denounces the trial of her son Alban for alleged terrorist activities as a political farce.

"If this was a fair trial he would be free today, but this is a political trial," Mrs Neziri complained.

Her son, a medical student, is one of 17 ethnic Albanians accused of belonging to the Kosovo Liberation Army (KLA), which Serbia holds responsible for a string of attacks on government targets in its fight for an independent Kosovo.

When the trial began a week ago, defence lawyers protested they were not given free access to their clients and produced medical reports to back up allegations that the 17 men had made confessions after beatings and torture. The trial resumed yesterday.

Western governments fear that the trial and others like it form one of several new elements fuelling a growing sense of anger and frustration among ethnic Albanians. In the worst scenario, the current situation could lead to an explosion of violence in the southern province of Kosovo and drag neighbouring Albania and Macedonia into a new Balkan war.

Nait Hasani, the first of the 17 accused to testify before the court yesterday, alleged he was beaten and tortured with electric shocks while held in secret detention for one month with no access to a lawyer.

Mr Hasani denied all knowledge of the KLA and said he had been forced into making a confession to save his life. He is accused of involvement in a car bomb attack last January which seriously wounded Radivoje Papovic, the Serbian rector of the state-run University of Pristina.

A report by the UN Centre for Human Rights into two trials of 21 Albanians earlier this year concluded that basic legal rights had been denied and that there was credible evidence of use of torture. Two suspects have died in detention this year.

Serbia's strongman, Slobodan Milosevic, stripped Kosovo of its provincial autonomy in 1989, accusing the ethnic Albanians of oppressing the Serb minority in a region of ancient monasteries hallowed as Serbia's spiritual homeland.

The Serbian nationalism unleashed by Mr Milosevic led to the violent break-up of former Yugoslavia. But the estimated 1.7m ethnic Albanians who make up 90 per cent of Kosovo's population remained in Belgrade's orbit, kept under tight police control.

The uneasy peace that may be coming to an end in Kosovo has been preserved largely by the policies of passive non-confrontation adopted by Ibrahim Rugova, the leader of Kosovo's main party, the Democratic League of Kosovo (LDK), who was declared "president" of an unrecognised Republic of Kosovo after illegal elections held in 1992.

Albanians exist in a parallel state with schools, universities and a welfare system that bypass the Serbian government. Leading almost completely separate lives, Albanians go to shops and restaurants that Serbs would never enter. They read their own independent newspapers and boycott Serbian television. Mixed marriages are almost unheard of.

But Hydajet Hyseni, an LDK vice-president who leads the party's "radical" wing, says the time has come to abandon Mr Rugova's policy of non-confrontation and adopt a more active stance that would bring people back on to the streets.

"We cannot be satisfied with our results or the attitude of the international community. We can do more and must do more ... The militant tendency among Albanians is the consequence of unproductive policies in Kosovo," Mr Hyseni said in a recent interview.

Mr Hyseni, like all Albanian leaders, denies any knowledge of the KLA, but refuses to condemn all attacks on police, which he regards as motivated by justifiable revenge against a brutal occupying army.

The Serbian authorities have so far produced no material evidence of the KLA's existence. Many Albanians, while privately applauding reported attacks on police, believe the KLA may be a fiction created by Belgrade to justify its policies of repression.

The US and the European Union, which have made progress in resolving the Kosovo conflict one of its conditions for lifting sanctions on Belgrade, hope a planned visit to the province by senior envoys will lead to dialogue. But its suggestion to make Kosovo a federal "unit" within Yugoslavia is rejected by both sides.

Diplomats say Mr Milosevic, president of a Yugoslavia that now comprises just Serbia and Montenegro, has little room to manoeuvre following his Socialist party's setbacks at the hands of the ultra-nationalist Serbian Radical party in recent elections.

Much will depend on whether Mr Rugova can stem the slide in his own authority.

"Rugova is not so secure," says Mahmud Bakalli, the ex-communist party boss of Kosovo in the 1970s who advocates a confederation of Serbia, Montenegro and Kosovo.

"The problem is huge. Even if Eisenhower was the leader here it would be very difficult."

Brazilian shares see sharp rise

By Geoff Dyer in São Paulo

Brazilian shares rebounded strongly yesterday on hopes the worst of the turmoil in global financial markets was over and pressure for a devaluation of the Brazilian currency had eased.

Analysts warned volatility could easily return to this week if there was any deterioration in the international environment, especially on Wall Street.

Economists called on the government to introduce a new package of budget cuts to reduce the impact of Thursday's doubling of interest rates on the already high fiscal deficit.

The São Paulo stock exchange's Bovespa index of leading companies, which dropped 22.1 per cent last week, was up 7 per cent at 9,619 points by mid-afternoon.

Telebrás, the state-controlled telecoms group and bellwether stock, was 6.1 per cent higher.

Activity in other financial markets also struck a more confident tone, with the Brazilian Real near its strongest permitted level within its trading band against the US dollar and long-term interest rates on the futures markets easing slightly.

On Thursday, the central bank raised base rates from 1.58 per cent to 3.05 per cent, resulting in annual real interest rates of nearly 40 per cent.

Even if yesterday's calm continues, the central bank is not expected to start reducing interest rates for several weeks.

Economists speculated that any new budget cuts might include new taxes, a freeze of public sector salaries, the closure of loss-making public companies and moves to speed the approval of constitutional changes.

Marcelo Carvalho, chief economist at J.P. Morgan in São Paulo, said that a sizeable budget package could "turn the weakness of the financial turmoil of the last week into the strength of concrete fiscal progress".

Petrobrás, the state-owned oil company, said that it had delayed the launch of a $200m Eurobond issue, scheduled for early November, because of the market turmoil.

Bankers said that it would be difficult for Brazilian borrowers to raise money on the international capital markets before the end of the year.

State and city polls today could be pointers to nationwide politics

Republicans set to stay local heroes

By Gerard Baker in Washington

Voters across the US go to the polls today to choose state governors, city mayors and local council members and to vote directly on a range of policy issues from gun control to affirmative action.

In the US electoral cycle, the first Tuesday in November carries less significance in an odd-numbered year than in an even-numbered one. But, while there is only one minor election for national office, there are still a number of contests that could hold important implications for the national political contest over the next few years.

The main interest focuses on four elections: gubernatorial races in two states – Virginia and New Jersey; the mayoral election in New York City; and a special election to fill a vacant seat in the House of Representatives in Staten Island, New York.

Republicans currently hold all four seats, and the party has devoted more resources than ever to the task of defending them – massively out-spending the strapped-for-cash Democrats in what could be an important pointer for next year's bigger mid-term congressional elections. A clean sweep of all four seats would provide further confirmation of what has come to be seen in the last three years as the party's hegemony at anything other than the presidential level.

The Democrats had hopes of taking at least one of the prizes, but early leads have evaporated. In Virginia, the Republican James Gilmore is now expected to beat his Democrat opponent, Don Beyer, the current lieutenant-governor, comfortably. The New York mayoral election long ago ceased to be a contest and will look like more a coronation for the incumbent Republican, Rudy Giuliani. And, though the Staten Island vote could still be close, the Republican, Vito Fossella, is expected to take the seat vacated by Susan Molinari, a rising star of the Republican party until she left to present a TV show.

The real trophy for the Democrats would be New Jersey. The poster woman of moderate Republicanism, Governor Christine Todd Whitman, known nationally for her liberal stance on social issues such as abortion and her tax-cutting supply-side economics, has been involved in a surprisingly tough fight with her little-known Democrat opponent, James McGreevey.

Polls still put Ms Whitman narrowly ahead, but her lead has been dented by the intervention of a maverick libertarian third party candidate.

If the elections carry some clues to the state of play in the national political contest, they may also point to the salience of some policy issues that could take on national significance in next year's elections.

One or two common themes have emerged. Abortion once again proved to be a politically explosive subject. While most voters seem unprepared to accept conservative Republicans' attempts to toughen the general tenor of abortion laws, there is widespread revulsion at so-called "partial birth" abortions in late pregnancy.

Supporters of the procedure, including Ms Whitman in New Jersey and Mr Beyer in Virginia, have clearly lost sizeable support as a result of their stance on the issue. An issue of less clear-cut political importance has been taxes – while Mr Gilmore in Virginia has ridden a wave of tax-cutting sentiment. Ms Whitman's tax cuts in New Jersey have come in for some surprising criticism.

Most of the races, however, especially at the mayoral level, have been non-ideological affairs, focusing instead on competence. The vast majority of the mayors defending their seats will easily win re-election on the back of widespread voter contentment with the state of the US economy.

Some of the most significant votes will be the range of plebiscites on state and local measures. In Oregon, voters will be asked to overturn an initiative passed a year ago that would give an individual the legal right to assisted suicide.

In neighbouring Washington state, the main question on ballot papers will be a law that would prohibit employers and others from discriminating against workers on the grounds of sexual orientation.

The fiercest ballot initiative campaign has been in Houston, Texas, where voters will have a chance to outlaw affirmative action programmes in the hiring of city employees.

Most votes will not touch on such great issues of political principle, however. More typical is the ballot question in Maine: should the state add one travel lane in each direction to the southern end of the Maine turnpike?

What's at stake in the US

State and City measures (include votes:)	
Oregon	To ban assisted suicide
Washington	To toughen hand-gun rules
Houston	To ban affirmative action
City Mayors (more than 200 cities, including:)	
New York	Detroit
Houston	Cleveland
State Governors	
New Jersey	Virginia
US House of Representatives (special election)	
New York	13th Congressional District

The US Supreme Court yesterday rejected a challenge to California's Proposition 209, the measure that bans race or gender from being a factor in state hiring or school admission, AP reports from Washington.

The court, turning away arguments by a coalition of civil rights groups, let stand a ruling that said the anti-affirmative action measure did not violate constitutional rights.

The action could encourage voters in other US states to adopt similar measures.

NEWS DIGEST

Media growth beats economy

Sharpening competition and heavy use of advertising to find new customers helped growth in the US communications business outstrip expansion in the overall economy last year.

Nominal gross domestic product rose 4.4 per cent, but sales at publicly-quoted media, film, television, publishing and online groups jumped 12.3 per cent, according to Veronis, Suhler, the specialist investment bank.

Revenues rose more than 10 per cent for the third year in a row, continuing a trend of rising sales in the sector even as GDP growth continued to ease back from its 1994 peak of 5.8 per cent.

The bank's latest report says company revenues were also bolstered by further acquisitions and mergers during the year and the proliferation of new communications technologies.

Special influences last year included the extra spending during the Olympic Games in Atlanta and the presidential election. Subscription video revenues grew as direct-to- home satellite broadcasting services increased their penetration, while film companies released a record number of blockbusters. *Christopher Parkes, Los Angeles*

■ VENEZUELA DISPUTE

Workers strike for bonuses

A long financial dispute between Venezuela's central and regional governments flared up yesterday when employees of municipal governments stopped work to demand pay bonuses.

The strike, only partial in some of the country's 330 municipalities, comes after failed attempts by mayors and governors to obtain additional funding from the national government to meet rising labour costs.

"The workers are in the right because they haven't been paid what they were offered," said Manuel Rosales, mayor of Maracaibo in western Venezuela, where public-sector employees plan a protest march today.

Mayors throughout the country have criticised the administration of President Rafael Caldera for having offered to pay bonuses without allocating the respective funds to local governments. *Raymond Colitt, Caracas*

■ US TAKEOVERS

More stock used in funding

Stock has been used to fund 62 per cent of the value of US public company takeovers in the first nine months of this year compared with 33 per cent in Europe, according to a report published by J.P. Morgan, the investment bank, yesterday.

The level of stock used so far this year is the same in percentage terms as the level in 1996 as a whole.

J.P. Morgan's analysis also shows that the use of stock is up from 26 per cent in 1996 to 35 per cent so far this year in the sale of private companies. In the sale of subsidiaries, it was 17 per cent this year against 13 per cent last.

However, in Europe, the use of stock has declined from 39 per cent of the value of takeovers in 1996 to 33 per cent in the first nine months of 1997. Of the five largest European transactions announced during the third quarter of 1997, three were financed by cash, including Artemis' bid for Worms and Promodes' bid for Casino.

Nevertheless, J.P. Morgan says the use of stock as acquisition currency this year in Europe is well up on the 1988-95 average of 10 per cent. *William Lewis, New York*

■ EXPANSION CONTINUES

US growth in 78th month

The longest post-war economic expansion in the US is showing few signs of slowing. In October, the overall economy continued to grow for the 78th consecutive month, according to a report by the National Association of Purchasing Management yesterday.

The Purchasing Managers' Index, a guide to the strength of manufacturing activity, rose from 54.2 to 56 per cent in September.

Other figures published yesterday showed personal incomes and expenditures continued to rise modestly in September, while construction spending fell. Economists were not worried about the 1 per cent month-on-month annualised fall in construction expenditure, largely due to weakness in private non-residential construction.

The NAPM employment index rose to from 50.7 to 52.4 per cent but there was not much evidence of pressure on wages. Personal income and personal disposable income rose 0.4 per cent month-on-month. Personal consumption spending rose 0.2 per cent. *Adrienne Roberts, Washington*

NEWS: ASIA-PACIFIC

Jakarta eases tariffs and distribution

By Sander Thoenes in Jakarta

Indonesia cut trade tariffs and opened up its distribution and wholesale sector to foreign investors yesterday, part of a broad deregulation package agreed with the International Monetary Fund last week.

The package, which netted Indonesia at least $37bn in stand-by loans from neighbours and multilateral institutions last week, failed to revive the Jakarta Stock Exchange. The rupiah soared more than 9 per cent, from 3,590 to 3,285 rupiahs to the US dollar, but much of the demand came from a joint intervention by the central banks of Indonesia, Japan and Singapore – the first assistance provided to Jakarta since last week's agreement.

But the reforms should excite foreign investors, who are at present forced to rely on Indonesian companies to market their goods. Tunky Ariwibowo, minister of industry and trade, said foreign companies will be allowed to set up their own up distribution and wholesale companies and will be allowed to retail as well by the year 2003.

The ban on foreign participation in distribution, set up to defend traditional market places and small shop owners, has kept out many producers of consumer goods and limited profits of existing projects. Investors were forced to rely on well-connected but often inefficient wholesale and retail agents, often little more than front companies.

Mar'ie Muhammad, finance minister, also announced cancellation of export taxes for commodities such as metal ores, rattan and raw hide leather, and detailed a range of staged cuts in import tariffs on chemicals, metal products and fish.

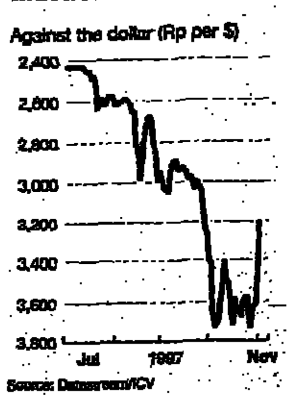
These imports had been excluded from earlier tariff reductions agreed with the World Trade Organisation, in an effort to protect industries such as Chandra Asri, a large petrochemical plant controlled by President Suharto's son. Indonesia is the region's leading oil producer but has to import many oil products.

The government yesterday announced a two-year exemption on import duties for machinery and equipment, and last month offered an exemption on value added tax for imported goods used by export-oriented industries.

Though surpassing expectations of diplomats and economists and boosting the stock markets of Singapore and Malaysia, the package failed to excite the Jakarta stock exchange. It ended up 1.3 points at 501.714, after dipping slightly on Friday when the IMF deal was first announced.

"They haven't really mentioned anything specific in banking reforms," said Stephen Rogers, head of research at UBS Securities in Jakarta. "That's where the main problem is."

"I don't think the market will move until the interest rate comes down," another broker said. "We still think it's way overvalued, because the slowdown in economic growth has not really been accounted for." He predicted the economic growth rate would drop from more than 7 per cent to 1.5 per cent next year, as companies struggle to pay off unhedged foreign debt, and feel the impact of delays to infrastructure projects.



G15 CALLS FOR STUDY OF CURRENCY MARKETS

The Group of 15 developing nations yesterday called on the International Monetary Fund and World Bank to undertake a study of currency markets with a view to regulating them, James Kynge writes from Kuala Lumpur.

The statement, issued after the first day of a summit of several G15 leaders, represented only a partial endorsement for a clarion call by Mahathir Mohamad, Malaysia's prime minister, for regulations to tame what he calls "unethical" currency speculation.

Dr Mahathir wants new rules to curb the free-wheeling nature of currency trade and make it more transparent. But the G15 statement only partially supported this in declaring that the object of any new regulation should be to "make [markets] more open and transparent".

The diplomatic finesse of the statement reflected a considerable diversity of views within the G15. Mexico, for instance, which benefited from an IMF-led rescue package in 1995, held out against new rules to curb free market mechanisms.

Indonesia, represented by President Suharto, appeared torn between having to back Dr Mahathir, a key regional ally, and the need to burnish his free-market credentials three days after the IMF announced a US$23bn rescue package for Jakarta. He said that the group should find "the most efficient means to dampen the adverse impact of sharp currency fluctuations on our development", but he did not mention new rules.

The G15, which emerged from the Non-Aligned Movement, has often had its message muffled by the sheer diversity of its membership, which includes Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela and Zimbabwe.

IMF deal spurs rally in Asian financial markets

By John Ridding in Hong Kong

South-east Asian financial markets rallied yesterday as Indonesia's IMF-backed recovery programme helped to bolster confidence in the region's battered economies.

Concerted intervention by Singapore and Japan in support of the rupiah lifted the Indonesian currency to a high of 3,240 to the US dollar, a rise of about 9 per cent. That helped lift the Malaysian ringgit, the Philippines peso and the Singapore dollar.

"Singapore's participation in this joint intervention reflects our confidence in the macro-economic policies of the Indonesian government," said Richard Hu, Singapore's finance minister. Officials declined to comment on the scale of the intervention, but traders estimated that as much as US$100m was spent to support the Indonesian currency.

Japan's finance ministry said the operation was designed to correct the "excessive depreciation" of the rupiah and that Japan, Singapore and the Indonesian authorities would be ready to act again.

Indonesia's recovery package, and in particular its move to close 16 troubled banks, was welcomed by investors as a sign of greater commitment to tackling structural economic problems. "It is a step in the right direction, which is something to applaud after the confusion we have seen so far across the region," said the chief economist of a Hong Kong investment bank.

Signs of improved sentiment after months of financial turmoil extended to stock markets. Hong Kong, where the Hang Seng index has lost more than a third of its value since August, saw the strongest gain, adding almost 6 per cent.

Traders attributed the rally to easier money market interest rates, the main concern in a property and banking dominated economy. China-backed shares saw strong gains amid mainland signals that injections of state assets into Hong Kong-listed vehicles may be resumed.

"We are not out of the woods by any means," said the chief strategist at a US investment bank. "But there is a hope at least that interest rates will be able to return to normal before too long. The big if, of course, remains further regional turmoil or renewed attacks on the Hong Kong dollar."

NEWS DIGEST

HK developer to head exchange

Lee Hon-chiu, chairman and managing director of property developer Hysan Development, was yesterday elected as the new chairman of the Hong Kong stock exchange. Mr Lee, who was widely tipped to assume the top post, pledged to build on the work of his predecessors in realising "the vision of Hong Kong as the Manhattan of China". Mr Lee, 68, takes over from Edgar Cheng, who had already served the maximum permissible number of terms as chairman.

Mr Lee said that while the markets had performed in an efficient and orderly manner during the recent market volatility, the events emphasised a need "to move quickly and decisively to capitalise on new opportunities as they emerge so as to maintain our leading position in the region and beyond".

He sees China as the biggest opportunity, especially in the light of Beijing's plans to reform state enterprises. "We need to ensure that Hong Kong continues to be the ideal place for mainland companies to raise international funds," he said. *Louise Lucas, Hong Kong*

■ VIETNAMESE DEBT

Russia seeks Soviet roubles

Vietnam and Russia are on Friday due to hold their first talks in almost two years over settling about 10.5bn transferable roubles owed by Hanoi to the former Soviet Union, a finance ministry official said yesterday. The transferable rouble was used by the Soviet Union in its dealings with satellite states, including Vietnam.

The issue has soured relations between Moscow and Hanoi for years as the two sides have bickered over an appropriate exchange rate between the transferable rouble and the Vietnamese currency, the dong. No immediate resolution is expected from the talks in Moscow, which are expected to last a week. *Jeremy Grant, Hanoi*

■ AUSTRALIAN ECONOMY

Record growth for retailing

Improving confidence in the Australian economy has helped retailers enjoy a record September quarter but less chance of another interest rate cut.

Real retail trade rose 3.1 per cent in the September quarter, the largest rise since the series began in 1982. In September, nominal retail trade rose 0.6 per cent, reversing a 0.4 per cent fall in August. The quarter's best performing sector was department stores, which recorded a 10.2 per cent rise in sales in real terms. *Reuters, Canberra*

S Korea old guard eyes poll win

By John Burton in Seoul

South Korea's two main opposition parties yesterday forged an unlikely old guard alliance, in an effort to win December's presidential election.

Kim Dae-jung, the veteran centre-left opposition leader, was named presidential candidate in a coalition with the rightwing United Liberal Democrats (ULD). The alliance is expected to improve Mr Kim's chances of winning the presidential election on December 18 in what would be the first opposition victory since 1948.

Mr Kim, making his fourth presidential attempt since 1971, is leading a four-man field with 39 per cent support, opinion polls show. The blessing of Mr Kim's candidancy by the anti-communist ULD is meant to allay voters' suspicions, encouraged by previous military governments, that he is a radical.

In return for ULD support, Mr Kim has agreed, if elected for a single five-year term, to name a ULD politician as prime minister, as a step to replacing Korea's executive with a German-style cabinet system by 1999. The two parties would evenly divide cabinet posts.

The would improve the chances of Kim Jong-pil, the former ULD presidential nominee, of achieving his ambition of becoming the government's next leader. The two opposition leaders, with Kim Young-sam, the present president, have dominated Korean politics in recent decades.

Analysts predict the alliance could collapse once elected, because of deep differences. The ULD represents figures from the military dictatorship of President Park Chung-hee, in power between 1961 and 1979.

Mr Kim Dae-jung opposed the Park government and was nearly killed twice by agents of the intelligence bureau set up by his new ally, Mr Kim Jong-pil.

The opposition's unity contrasts with the dissension tearing the ruling New Korea party apart, six weeks before the election. Falling popularity for the government candidate, Lee Hoi-chang, has led to an exodus of ruling party politicians.

They support Rhee In-je, a former provincial governor who defected from the ruling party this summer to stand as an independent. He ranks second in the polls at 31.5 per cent. The polls suggest Mr Rhee could defeat Mr Kim if he can win the backing of Cho Soon, another independent candidate.

President's son released on bail

By John Burton

Kim Hyun-chul, youngest son of the South Korean president, was released on bail from prison yesterday, just three weeks after being convicted on bribery and tax evasion charges.

The court granted bail on grounds of poor health and psychological stress, in what could prove a controversial decision in a presidential election year to choose a successor to his father, Kim Young-sam.

Support for the opposition has increased in response to corruption scandals that have hit the Kim administration this year.

Public opinion forced the prosecution to pursue a case against Mr Kim's son this spring, after it was alleged he was involved in influence-peddling. The government claimed the prosecution was proof of Korea's democratic coming of age as the rule of law was applied to once-sacrosant members of the president's family.

Mr Kim Hyun-chul, who was a close political adviser to his father and known as "the crown prince", last month received a three-year prison term and was fined nearly $1.6m, after being convicted of taking $3.3m in kickbacks and evading taxes on money he took as gifts.

He claimed the money he received was not bribes, but political contributions for a future parliamentary campaign. The Seoul high court said it would release the president's son on $100,000 bail pending an appeal.

Kim Hyun-chul leaving a Seoul jail yesterday *Reuters*

"Charges of influence-peddling to obtain money are not so serious in Kim's case, and it is the first time charges of tax evasion [for monetary gifts] were applied in a court of law," the court said. "The plaintiff denies his crimes, so there is a need for further deliberation of his guilt." The decision is expected to increase public cynicism about Korea's legal system.

The president's son will be confined to his Seoul home, but will be able to leave the country for more than three days if he receives the court's permission.

Bolger caves in after pressure from parliamentary colleagues

NZ premier forced to step down

By Terry Hall in Wellington

Jim Bolger, one of New Zealand's longest serving prime ministers, has been forced to step down after pressure from his parliamentary colleagues.

His announcement came after intense lobbying, with cabinet minister Jenny Shipley advising him that she had enough support in the parliamentary party to force his resignation.

Mrs Shipley, a right-winger, is expected to be appointed leader of the National party at a caucus meeting later today which will see her become New Zealand's first woman prime minister.

Mr Bolger's resignation throws into doubt the future of the government coalition, an alliance between National and the smaller New Zealand First party. Observers say there is a strong likelihood of the coalition dissolving, and National ruling as a minority with support from another small party and a rump of NZ First MPs.

Mr Bolger's resignation was sparked by disgruntled National party colleagues, who were worried at the government's low poll ratings. Mrs Shipley, who made no secret of her ambitions, told Mr Bolger yesterday morning that she would challenge him for the leadership at today's meeting of National MPs and presented him with a list of fellow cabinet members and backbenchers who she said were supporting her.

The timing of the challenge has surprised observers – including Winston Peters, deputy prime minister and leader of the junior coalition partner NZ First, who was only told of it by Mrs Shipley yesterday morning. Mr Peters is said to have been angry. But with an opinion poll rating of only 1.9 per cent, he is unable to influence the outcome.

Mrs Shipley, 45, is a forceful public speaker who became unpopular as minister of health between 1991 and 1996 when she instigated reforms of the hospital service. She has had a sharp rise in recent opinion polls in her role as minister of transport, and has been helped by being an outspoken critic of the populist NZ First and Mr Peters. One of her biggest challenges will be to reach some accommodation with Mr Peters and his party members to ensure a continuation of the present coalition government.

Mr Bolger led the National party for 11 years and won the 1991 and 1994 elections. He narrowly failed to get a majority in last year's general elections and formed a coalition with Mr Peters, a former political foe, and NZ First. To everyone's surprise, Mr Bolger formed a close working relationship with Mr Peters.

This has proved Mr Bolgers' undoing. The coalition government has become deeply unpopular, with a 90 per cent disapproval rating. While most public opprobrium has rubbed off on NZ First, National has also slipped in the opinion polls. Mrs Shipley's supporters believe she has the powerful personality needed to redeem the party's fortunes.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.6	100.1	6.9	98.4	95.8
1987	108.5	105.8	6.1	104.2	96.8
1988	113.0	110.5	5.4	104.9	100.3
1989	115.5	112.5	5.2	97.9	98.9
1990	116.2	112.3	5.5	82.7	94.7
1991	113.3	110.1	6.8	61.7	99.6
1992	117.0	113.6	7.4	61.8	104.6
1993	122.2	117.5	6.8	67.7	109.7
1994	129.2	123.4	6.0	79.0	111.5
1995	132.6	127.4	5.5	79.3	111.6
1996	137.5	130.9	5.4	77.0	117.7
3rd qtr.1996	3.5	3.0	5.2	76.3	116.7
4th qtr.1996	3.7	3.9	5.3	77.8	117.7
1st qtr.1997	4.4	4.6	5.3	79.9	119.8
2nd qtr.1997	2.9	4.1	4.9	77.2	121.1
Sept. 1996	3.9	2.6	5.2	77.4	116.7
October	4.7	3.3	5.2	75.3	117.3
November	3.2	4.0	5.3	79.9	117.3
December	3.1	4.4	5.3	77.9	117.7
January 1997	5.0	4.8	5.3	79.3	118.6
February	4.3	4.0	5.3	81.2	119.6
March	4.0	5.0	5.2	79.0	119.8
April	3.1	4.4	4.9	78.8	119.4
May	2.2	4.2	4.8	73.3	120.0
June	3.5	3.8	5.0	79.8	121.1
July	4.3	4.3	4.8	76.6	122.4
August		4.7		75.6	

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	106.5	99.7	2.8	94.3	83.0
1987	113.8	103.1	2.8	108.3	90.8
1988	122.8	113.1	2.5	135.9	96.3
1989	132.6	119.7	2.2	147.0	98.1
1990	141.6	124.5	2.1	149.8	94.9
1991	144.5	126.8	2.1	144.2	91.6
1992	139.7	119.0	2.1	124.2	90.1
1993	131.7	113.6	2.5	105.8	95.2
1994	129.4	114.5	2.9	99.4	103.0
1995	128.4	118.5	3.1	103.2	107.5
1996	132.6	121.7	3.3	115.3	109.5
3rd qtr.1996	1.3	4.5	3.3	118.0	108.8
4th qtr.1996	3.1	4.4	3.3	123.4	109.5
1st qtr.1997	9.0	6.4	3.3	121.5	110.8
2nd qtr.1997	–6.7	6.7	3.5	120.4	110.4
Sept. 1996	3.2	4.8	3.3	119.1	108.8
October	4.3	5.8	3.3	123.9	108.9
November	3.3	4.2	3.3	123.4	109.2
December	1.8	3.4	3.3	122.8	109.5
January 1997	2.2	8.1	3.3	126.6	110.0
February	1.8	3.5	3.3	117.2	110.3
March	23.0	7.5	3.2	118.4	110.8
April	–12.6	4.8	3.3	121.7	110.3
May	–3.6	7.5	3.6	121.3	110.4
June	–3.8	7.8	3.5	118.2	110.4
July		5.0	3.4	120.6	110.7
August		4.1		118.4	

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.2	102.2	6.4	136.9	86.3
1987	106.0	102.6	6.2	149.5	86.1
1988	109.1	106.3	6.2	165.1	92.6
1989	111.9	111.4	5.6	219.5	96.9
1990	119.7	117.2	4.8	261.9	98.7
1991	125.0	121.7	4.2	297.9	96.2
1992	122.8	120.0	7.7	287.9	89.4
1993	119.7	112.6	7.9	229.0	94.9
1994	117.5	117.5	8.4	241.2	104.4
1995	118.5	119.4	8.2	269.2	100.3
1996	117.1	119.0	9.0	274.0	104.5
3rd qtr.1996	–0.4	1.1	9.0	272.1	103.5
4th qtr.1996	–1.3	2.2	9.3	271.9	104.5
1st qtr.1997	–0.6	4.0	9.6	273.8	106.2
2nd qtr.1997	0.9	2.1	10.3	276.5	110.9
Sept. 1996	–0.3	1.0	9.1	272.1	103.5
October	–1.3	2.0	9.2	272.2	104.4
November	0.0	1.4	9.3	272.1	104.3
December	–2.4	3.3	9.3	271.2	104.5
January 1997	0.7	1.7	9.6	265.4	105.5
February	–0.1	6.6	9.6	274.5	107.0
March	–2.4	3.9	9.7	281.2	108.2
April	0.8	2.9	9.6	272.0	108.9
May	2.4	0.4	9.8	276.2	109.8
June	–0.4	2.9	11.4	281.2	110.9
July	–2.9	6.3	11.5	280.3	
August		2.6		288.7	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.4	101.1	10.4	107.0	95.6
1987	104.5	103.1	10.5	117.2	95.5
1988	107.9	107.3	10.0	135.3	100.5
1989	109.6	111.3	9.4	160.6	100.3
1990	110.4	112.8	8.9	163.2	94.7
1991	110.2	111.4	9.4	128.2	96.0
1992	110.5	110.0	10.4	109.5	94.2
1993	110.7	105.8	11.7	90.0	97.7
1994	110.6	109.9	12.3	104.1	101.9
1995	110.6	112.3	11.6		97.2
1996	110.2	112.8	12.3		100.1
3rd qtr.1996	–2.4	0.6	12.4		100.8
4th qtr.1996	1.2	2.0	12.5		100.1
1st qtr.1997	–1.3	1.0	12.5		100.7
2nd qtr.1997	0.9	3.1	12.5		100.2
Sept. 1996	–6.4	0.7	12.5		100.8
October	4.4	2.1	12.5		101.0
November	0.4	1.9	12.5		100.6
December	–1.1	2.0	12.5		100.1
January 1997	–0.2	0.4	12.5		100.3
February	–3.1	1.3	12.5		100.7
March	–0.5	1.3	12.5		100.7
April	1.0	4.3	12.5		100.6
May	3.1	2.4	12.5		100.4
June	–1.3	2.7	12.6		100.2
July					101.1
August					

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1986	106.8	104.1	9.2	94.6
1987	112.1	108.8	9.9	96.2
1988	107.9	114.2	10.0	100.6
1989	116.9	118.7	10.0	98.8
1990	114.4	118.0	9.1	95.5
1991	110.9	116.9	8.8	97.7
1992	116.9	115.4	9.0	94.8
1993	114.1	113.0	10.3	101.6
1994	107.4	119.9	11.4	103.5
1995	102.1	127.3	11.9	102.0
1996		123.7	12.0	103.7
3rd qtr.1996		–4.7	12.0	102.2
4th qtr.1996		–5.5	12.0	103.7
1st qtr.1997		–0.5	12.2	104.7
2nd qtr.1997		2.2		107.1
Sept. 1996		–2.7	n.a.	102.2
October		–2.8	n.a.	102.3
November		–2.2	n.a.	102.9
December		–11.0	n.a.	103.7
January 1997		–1.9	n.a.	104.7
February		1.1	n.a.	104.9
March		–0.7	n.a.	104.7
April		3.5	n.a.	105.2
May		2.7	n.a.	106.9
June		0.5	n.a.	107.1
July		3.6	n.a.	
August			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.3	102.5	11.2	116.1	94.1
1987	110.8	106.5	10.3	141.1	98.4
1988	117.8	111.7	8.6	144.0	98.2
1989	120.1	114.0	7.2	124.3	96.5
1990	121.1	113.7	6.9	97.7	94.6
1991	119.4	109.9	8.8	68.6	96.7
1992	120.4	110.2	10.1	69.6	98.8
1993	123.9	112.6	10.4	76.5	104.6
1994	128.5	118.7	9.5	93.7	106.5
1995	129.9	121.2	8.7	107.5	105.1
1996	133.7	122.6	8.2	131.9	107.8
3rd qtr.1996	3.3	1.0	8.3	139.7	107.5
4th qtr.1996	3.9	1.5	7.9	153.8	107.8
1st qtr.1997	4.7	1.3	7.5	157.3	108.2
2nd qtr.1997	5.4	1.6	7.2	161.5	108.6
Sept. 1996	3.6	0.7	8.3	147.4	107.5
October	4.3	1.4	8.1	151.9	107.8
November	4.3	1.5	7.9	155.4	107.9
December	3.0	1.8	7.8	154.0	107.8
January 1997	4.9	2.1	7.6	153.3	107.7
February	4.5	1.4	7.5	158.2	107.9
March	4.7	0.4	7.4	160.4	108.2
April	4.9	2.3	7.3	160.0	108.4
May	5.8	–0.1	7.3	159.8	108.3
June	5.7	2.5	7.1	164.8	108.6
July	6.6	2.7	6.8	166.1	108.9
August	5.6	2.8		170.1	109.2

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

ILO foresees revival of trade union strength

By Robert Taylor, Employment Editor

Only about a quarter of the world's 1.3bn workers belong to trade unions, according to the International Labour Organisation's annual labour report*, published today. But the ILO believes trade unions will grow over the next 10 years with the spread of democracy and social justice in open market economies.

In its survey of trade union membership in 92 countries, the ILO found only 14 countries had more than half their workforces unionised while just over half the countries (48) reported less than 20 per cent union membership.

The report says membership levels declined between 1985 and 1995 in 72 of the countries. The fall was greatest in the former communist countries where trade union membership is no longer compulsory. Union density fell by 50.6 per cent in Russia during the period, by 50 per cent in the Czech republic, by 45.7 per cent in Poland, 38 per cent in Hungary and 22.8 per cent in Belarus.

But trade union density also declined elsewhere. There was a 75.7 per cent drop in Israel, 38.3 per cent in Uganda, 32.2 per cent in Venezuela and 46.7 per cent in New Zealand. Trade union decline was also widespread in western Europe with a 31.2 per cent fall in France, 25.2 per cent in the UK and 30.3 per cent in Germany.

However, the ILO has found union density grew in 20 countries over the period. The largest increase was in South Africa with a 126.7 per cent rise, followed by Spain (92.3 per cent), Chile (89.6 per cent), Thailand (77 per cent), Philippines (69.4 per cent) and South Korea (60.8 per cent).

The report reveals much

Trade union density

	1995	% chg since 1985
Sweden	91.1	+8.7
Italy	44.1	-7.4
South Africa	40.9	+130.8
Australia	35.2	-29.6
UK	32.9	-27.7
Germany	28.9	-17.6
New Zealand	24.3	-55.1
Japan	24.0	-16.7
US	14.2	-21.1
South Korea	12.7	+2.4
France	9.1	-37.2

ILO Labour Report, 1997

diversity in the number of workers covered by collective bargaining agreements. In France, 90 per cent were covered in 1995, though only 11.6 per cent of them were union members. In most of the 43 countries who reported their collective bargaining coverage to the ILO, the proportion of workers involved was over half the labour force.

But despite recent declines in membership, the ILO is optimistic about unions' future. "There is every sign that a whole new social dynamic is developing," it argues. "There are many signs that trade unions are adjusting to the realities of today. The most active of them are looking beyond the working population and opening their doors to those who have no stable employment, or no job at all. Both in word and deed they are looking more and more like genuine social movements with a clear vision of how to defend and promote the interests, however varied, of the world of those in work."

The report also found some countries, most notably in Africa, had adopted a restrictive policy towards recognising trade unions in the hope of attracting foreign investment. Others had introduced various restrictions against trade unions – reflected in the numerous complaints filed to the ILO's committee on freedom of association.

The ILO points out that trade unions have been "in the vanguard of democratic opposition and strong proponents of human rights" in countries such as Burma, Nigeria, the Sudan and Indonesia. Innovations such as pacts with governments to achieve economic prosperity and social cohesion, as in Ireland, Denmark and Italy, and consultative European works councils "owe much of their inspiration" to trade unions, said the report.

**Available from the ILO Office, Millbank Tower, 21-24 Millbank, London SW1P 4QP*

Lakhdar Brahimi, an Algerian, is part of UN chief Kofi Annan's diplomatic mission to Baghdad

UN envoys seek way out of Iraq impasse

By Michael Littlejohns at the UN and Bruce Clark in Washington

Tensions between Iraq and the United Nations yesterday eased slightly with a despatch of a diplomatic mission to Baghdad to seek the resumption of UN weapons inspections.

The inspections were halted last week after President Saddam Hussein demanded the removal of all American inspectors. Yesterday Iraq again refused to allow American experts into a missiles site. Separate inspections by chemical and biological weapons inspectors were also called off.

Security Council members were summoned to a meeting last night at which Kofi Annan, the Secretary General, was expected to report on his efforts to resolve the crisis. Earlier in the day, he received Iraq's assent to his appointment of three highly experienced diplomats as his personal envoys.

They are Lakhdar Brahimi, a well known troubleshooter for the UN from Algeria; Emilio Cardeñas, a banker who was until recently Argentina's UN delegate; and Jan Eliasson, a Swedish diplomat and former head of the UN departments of humanitarian affairs.

A UN spokesman said they would arrive in Baghdad today to deliver a message from Mr Annan. The US had objected to sending the mission but relented after obtaining assurances there would be no negotiations as such. "We're not interested in dialogue, we're interested in compliance," said Mike McCurry, White House spokesman.

Baghdad has complained that Richard Butler, the new head of the UN inspection commission charged with eliminating Iraq's deadliest weapons, breached understandings regarding access to "sensitive" sites for which advance notice was previously required.

Andrew Lloyd, British delegation spokesman, said last night that Iraq's list of so called Presidential and other sensitive sites had "grown like Topsy." The aim now was to get back to the core of the issue, "which is that the commission has unconditional access."

Diplomats yesterday stressed the need to bolster unity among the 15 members of the Security Council, five of whom – France, Russia, China, Egypt and Kenya – abstained on a resolution last month threatening further sanctions against Iraq for blocking inspections during the summer. This fracturing of previous cohesion is widely blamed for the new confrontation by Baghdad.

Influential US legislators said yesterday Washington should be prepared to act on its own against Iraq if necessary. "We will use whatever means necessary," said Senator Tom Daschle, senior Democrat in the Senate.

NEWS DIGEST

More arrests in Zambia

Zambia's crackdown on "enemies of the state" in the wake of last week's attempted coup has spread to mainstream political opponents. The Zambia Democratic Congress party yesterday revealed that Azwell Banda, its general secretary, had gone into hiding after security men searched his home on Friday.

On the same day Dean Mungomba, the party's president, was detained. The arrest of Mungomba, a former minister under President Frederick Chiluba, brought to at least 18 the number of arrests since loyal troops quashed a coup attempt by disgruntled army officers.

Zambia's political temperature has been feverish ever since the constitution was changed to prevent Kenneth Kaunda, Mr Chiluba's predecessor, from running in last year's elections, a move that outraged western donors and prompted a freeze in aid.

Foreign embassies had hoped the coup attempt, a warning of the tensions bubbling under the surface, might persuade Mr Chiluba to adopt a more moderate stance. Instead Mr Chiluba has assumed emergency powers, giving the police draconian powers to detain suspects indefinitely, search homes and regulate public meetings. He said "many more" individuals would be tracked down.

The security forces have so far spared UNIP, Mr Kaunda's party, despite claims from top members of the ruling Movement for Multiparty Democracy that (MMD) the former president was involved in the coup. But UNIP said yesterday it expected its members to be arrested soon, including Dr Kaunda on his return from a foreign tour.

Michela Wrong, Nairobi

■ JORDAN'S ELECTIONS

Establishment party to win

Jordanians go to the polls today to elect a new 80-member parliament, the first elections since Jordan signed a peace treaty with Israel in 1994.

Although the government has predicted a high turnout, the outcome of the election is already certain following the decision by the Islamic Action Front, the Jordanian arm of the pan-Islamic Brotherhood, to boycott the poll. The pro-establishment National Constitutional Party, headed by Abdel Hadi Majali, brother of the prime minister, is expected to win the most seats.

The Islamists, who oppose the peace treaty, claim the parliament has no authority. The opposition also wanted a change to the electoral law which allows one man one vote instead of votes for parties.

Under the current electoral system the IAF won 16 seats in the 1993 elections and the Islamists won 22 in the 1989 elections. *Judy Dempsey, Jerusalem*

■ MIDDLE EAST PEACE

Levy upbeat as talks begin

David Levy, the Israeli foreign minister, sounded a cautiously upbeat note yesterday in Washington as he began the first substantive talks with Palestinian officials since last spring. Mahmoud Abbas, the Palestinian negotiator, was expected to reaffirm demands for further Israeli troop withdrawals from the West Bank – as agreed in principle under previous accords, but not yet mapped out in detail.

"We have come here with the will to work," said Mr Levy as Madeleine Albright, the US secretary of state, convened a meeting with him and Mr Abbas.

US and Israeli officials want this week's talks in the Washington area to focus on the acceleration of moves towards a final agreement on relations between Israel and the Palestinians.

Mrs Albright has called on Israel to declare a "time out" on new settlements in the West Bank in order to create the right atmosphere. The talks are taking place against a background of tentative progress on some Israeli-Palestinian issues, including the possible construction of an airport for Palestinians in Gaza. *Bruce Clark, Washington*

■ ALGERIAN PROTESTS

Anti-riot police deployed

The army-backed Algerian government deployed anti-riot police in the capital yesterday to prevent further protests over the conduct of recent local elections. Opposition parties, which claim massive election fraud, said they would continue to demonstrate. Opposition members of parliament plan to march in Algiers today in another show of unity among opposition parties. The elections were officially won by the National Democratic Rally, a government party created six months ago. *Roula Khalaf, London*

Israel to open telecom market

By Judy Dempsey in Jerusalem

Israel's domestic telecommunications network will be thrown open to competition by January 1999 as part of the government's plans to lower prices and dismantle monopolies.

However, investors will have to build their own infrastructure since Bezeq, the state-controlled telecoms company, will not be obliged to place its network or facilities at the disposal of competitors.

The measures, unveiled yesterday by Limor Livnat, the communications minister, and Yaakov Neeman, finance minister, follow the government's successful liberalisation of international telephone services in which the cost of calls fell by more than 75 per cent and Bezeq's market share fell by half.

But according to some analysts, the government has adopted a more cautious approach towards the domestic market. "It is as if they want to put up natural entry barriers," said one analyst. Mrs Livnat said the government had to consider the security implications in opening the domestic telecoms network. The state holds a 62 per cent stake in Bezeq. It plans to sell a further 10 per cent by the end of the year.

Under recommendations by the communications and finance ministries, licences for the domestic market will be issued for 15 years with an option to extend them by a further 10 years. Investors will have to provide infrastructure, transmission and telephony services and build their own facilities. The recommendations stated that "the existing telecommunication operators will be under no obligation to sell any infrastructure or place facilities at the disposal of new operations."

"This will necessitate investment in a new, modern infrastructure on the basis of business-economic considerations," added the ministry. "It will not be easy for new entrants into this market," said Elise Horowitz, analyst at Lehman Brothers, the investment bankers. "It will be very costly to build a new infrastructure."

Such measures would ensure that Bezeq's monopoly in the domestic market, at least in the short term, would continue.

Cable television companies could use their network to provide telephone lines – but a line would exceed $500. Alternatively, investors could use the network owned by Israel Electric Company, the state-owned monopoly.

NEWS: WORLD TRADE

US Airways confirms big Airbus order

By Michael Skapinker, Aerospace Correspondent

US Airways yesterday confirmed its order for up to 400 Airbuses after reaching a five-year pay deal with its pilots.

The order for A319, A320 and A321 aircraft is the biggest Airbus has ever won and is a significant victory for the European consortium in the US market, which is dominated by Boeing.

US Airways has placed firm orders for 124 aircraft, with a list price of about $5bn – although the airline will have won a substantial discount because of the size of the purchase. Options or orders to be confirmed bring the total to 400 aircraft. Deliveries will begin next year. The aircraft, which carry between 124 and 185 passengers, will be powered by CFMI engines, built by a joint venture between General Electric of the US and Snecma of France.

US Airways said it had chosen Airbus rather than Boeing because the A320 family was quieter and gave passengers a greater sense of space. Airbus is owned by Aerospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain.

The order was placed a year ago but Stephen Wolf, US Airways' chairman, said it would not go ahead unless the company's pilots agreed to a five-year pay deal which would allow the company to cut its costs. Mr Wolf warned that if the pilots did not agree to the deal, US Airways had no future as a large airline.

The airline said yesterday the agreement with the pilots meant it could now pursue an ambitious international expansion plan. Mr Wolf said: "We have taken a major step towards becoming a global competitor."

The airline was talking to both Airbus and Boeing about buying new wide-body aircraft. The jets under consideration were the Boeing 777 and the Airbus A330, both twin-engined aircraft.

US Airways, which earlier this year ended its alliance with British Airways, said it planned to extend its transatlantic services. It had asked the US department of transportation for permission to fly to Milan from its home base in Philadelphia. It also plans to re-enter the UK market next year, with twice-daily flights between Philadelphia and London's Gatwick airport. It already flies from Philadelphia to Frankfurt, Madrid, Munich and Paris.

The airline plans to build a $300m terminal in Philadelphia to accommodate its increased transatlantic services.

The agreement with the pilots also allows US Airways to set up a low-cost airline-within-an-airline to compete with cut-price carriers such as Southwest Airlines.

Boeing, Second Section

Indian cellphone operators face long haul

Below-target revenues mean a shake-out is coming, writes Mark Nicholson

Bombay stockbrokers on their mobile phones. But is anybody listening? Reuters

A story is doing the rounds of India's cash-strapped cellphone operators. A well-heeled Indian strolls into a hotel lobby talking intently into his cellphone – when, rather embarrassingly, it rings. The tale epitomises the predicament of India's recently established cellphone joint ventures: while middle class Indians are taking to cellphones, they have not actually taken to using them much.

Similarly, a number of cellphone operators recently decided to charge extra for the facility of having the cellphone display the incoming caller's telephone number. Operators found many users were noting the incoming number without answering the call – for which they would be charged – and then calling back over a cheaper landline.

"The Indian consumer has turned out to be very, very price sensitive," said one chief executive.

In the two years since India's first cellphone services started in Delhi, Bombay, Calcutta and Madras almost 600,000 people have bought handsets, most in Delhi (200,000 users) and Bombay (150,000). Services are just starting elsewhere, fruit of the ambitious auctions begun two years ago in which the government offered cellphone licences for two competing foreign-Indian joint ventures in each of 22 "circles", each roughly equivalent to India's states.

The auctions, which required Indian companies to team up with foreign telecoms operators with experience of managing cellular systems, drew in international telecoms groups including Nynex, AT&T, US-West of the US, Bell Canada, Singapore Telecom and Telstra, the Australian group, and later, through acquisition of shares in the Delhi operators, British Telecom and Swisscom. Some 42 cell networks are now operating or starting services in India.

But while many operators are meeting targets for the number of subscribers, usage rates – and revenues – are well below forecasts.

These are as little as half operators' expectations, according to T V Ramachandran, executive vice-chairman of the Cellular Operators Association of India (COAI). Urban operators, he says, had expected average monthly use of 250 minutes per subscriber at an average tariff (tariff ceilings are fixed by the government) of Rs9.5 a minute yielding around Rs2,500 ($69). "Actuals are different, even in the cities we are struggling with averages of Rs1,000 a month," said Mr Ramachandran. "So revenues are only 40 per cent, while of course costs are no lower than expected."

Moreover, late payments and heavy rates of default have compounded such woes. One big city operator with 90,000 users on its books said it has disconnected 15,000 subscribers in the past year, 80 per cent for not paying their bills.

The resulting cash squeeze – coming just as operators are investing heavily in start-up marketing and installation costs – has sent the COAI scurrying to the government for concessions.

The association wants a rise in the government-fixed monthly rental fee of Rs156 to Rs600 and an extension of the licence period from 10 years to 15. "It makes all the difference in the world to show the banks projected cash-flow over 15 rather than 10 years," said one chief executive.

Operators also want a two-year moratorium on payingthe licence fees.

The COAI is hatching its own short-term remedies. Mr Ramachandran says the operators are in "advanced talks" with big cellphone handset makers for a bulk collective purchase of up to 60,000 telephones, sufficient to provide a discount enabling operators to pass on handsets at more affordable prices. "If prices come down to around Rs5,000 each," said Mr Ramachandran, "We can break the market."

Meanwhile, Indian consumers are enjoying a marketing war among rival operators. Most now offer pre-paid phonecards, one means of cutting administration and bad debts.

And consumers will be the eventual winners. By 2000, there are expected to be at least 3m users. The losers, however, may be several of the joint ventures – even if the government grants the concessions sought by the COAI.

"Many of the partnerships are already in trouble," said a foreign cellphone executive. "Most of the Indian partners are inexperienced and most of them don't have deep enough pockets for the investment needed. A lot of players bid money they didn't have to win licences and now don't look likely to recover that from the market."

Many are expecting a shake-out among cellphone operators. For the braver and more financially muscular, this offers the prospect of buying out ailing licensees and expanding across India. And the first wave may not be long coming. "We've already been approached by a number of licence holders. The pattern of ownership of licences will look very different in two years," said one executive.

Vietnam and US in pact on investment

By Jeremy Grant in Hanoi and agencies

Vietnam and the US will sign a pact promoting closer economic ties within the next week, a Hanoi government official said yesterday.

The Overseas Private Investment Corporation (Opic) accord, a step towards full economic normalisation between the former foes, would be initialled during a November 4-11 visit to the US by Tran Xuan Gia, Vietnam's minister of planning and investment, the official added.

But US diplomats said the deal would yield no practical results until a presidential waiver necessary for its implementation was granted, which diplomats said was possible by the end of this year.

The prime beneficiaries are US companies which still lack federally-backed insurance cover to safeguard their investments in Vietnam, which would be provided by Opic – a US government agency which insures or guarantees American private capital investments in developing nations.

The likely deal comes despite questions over labour practices in Vietnam.

Opic is prohibited from supporting investment in nations that fail to meet international labour standards, such as the right of association, the right to bargain collectively, a minimum age for child labour, prohibition of forced labour and certain wage, health and safety standards.

"We've arrived at an agreement on a text," a US diplomat said.

However, he added that even if a pact was signed, it would have no practical effect without a presidential waiver of the Jackson-Vannick amendment, which blocks Most Favoured Nation (MFN) trading status for countries that deny their citizens the right to emigrate.

Sources said that a waiver of the amendment was likely to be in place before the end of this year.

Robert Schiffer, Opic's vice-president, was quoted by the Saigon Times newspaper last week as saying his agency would primarily assist US companies to invest in industries such as electric power, energy and telecommunications.

Figures issued by the Vietnam government last month showed that the US ranked sixth among foreign investors in Vietnam, with some $1.2bn committed for 70 projects.

Austrians win airport contract

By William Hall in Zurich

Flughafen Wien, operator of Vienna's main airport, has won a Sch3.8bn ($314m) contract to double the capacity of Istanbul airport by building and operating a new international terminal to handle 14m passengers a year.

The terminal, which includes a multistorey car park, will take 30 months to build and is due to start operations on a 340,0000 square metre site in June 2000. Last year Istanbul-Atatürk airport, Turkey's biggest, handled 13.5m passengers and is operating at near full capacity.

Flughafen Wien, which has taken a small stake in the project, has been given the right to operate the new terminal for just under four years after which ownership will transfer back to the Turkish government.

Siegfried Gangl, Vienna airport's head of international relations, said that most of the world's 400 big airports are state-owned and losing money – with the result that they cannot afford to invest in expanding capacity.

Flughafen Wien, partly privatised in 1992, is one of a number of airports companies, including Britain's BAA and Holland's Schiphol, which are keen to cash in on the worldwide boom in airport privatisation. Last year Vienna lost out in the competition to buy Australia's Melbourne airport and it has been anxious to secure a high-profile project where it could demonstrate its skills in international airport operation.

Although it will have the contract to operate Istanbul's international terminal for less than four years, Mr Gangl says that the project will make money. Some 80 per cent of the project will be debt financed with SBC Warburg and Turkey's Körfez Bank providing the financing. The bulk of the equity will be contributed by the Turkish partners, Tepe Construction and Akfen Engineering Consultancy.

At last Friday's ceremony marking the start of the construction of the new terminal, Mesut Yilmaz, Turkey's prime minister, said the "build-operate-transfer" system was an ideal way of financing new infrastructure projects in an economy where inflation is running at 90 per cent a year. The new terminal will be built on the European side of Istanbul and there are also plans to build a new airport on the Anatolian side of Istanbul.

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Conservative EU rebels face hard line

By David Wighton, Political Correspondent

The Conservative party leadership yesterday signalled its determination to take a hard line against pro-European rebels amid warnings that the party faced the danger of a complete break-up.

Lord Parkinson, the opposition party's chairman, turned up the pressure on the pro-Europeans led by Michael Heseltine, the former deputy prime minister, by making clear that they would be expected to vote against the bill which ratifies the European Union's Amsterdam treaty.

Although the party business managers have yet to decide whether the vote will be the subject of a three-line whip [the strongest coercion on MPs to vote in the House of Commons] Lord Parkinson said it would be "extremely difficult for anybody to justify not supporting the party line". He pointed out that in the treaty the government agreed to end the UK's opt-out of the social chapter which was explicitly opposed in the Conservatives' election manifesto.

However, a number of pro-European Conservatives have indicated their intention of voting with the government, provoking increasingly outspoken attacks from the Eurosceptics.

Alan Clark, the outspoken MP, yesterday called on the pro-Europeans to shut up or get out.

"If they won't shut up, then they should leave the Conservative party," he said.

The party leadership is also under increasing pressure to discipline Peter Temple-Morris, the pro-European who considered defecting to the governing Labour party after holding several meetings with Tony Blair, the prime minister.

Kenneth Clarke, the former chancellor of the exchequer and leading pro-European, yesterday insisted that he had no intention of splitting the party. But he repeated his opposition to the shadow cabinet policy – ruling out UK entry into the European single currency for 10 years – and predicted that the Conservatives would not become "a Eurosceptic party".

The Confederation of British Industry, the principal employers' organisation, yesterday underlined the fears of the Conservative pro-Europeans that the party risks losing the support of business by repeating its opposition to the shadow cabinet policy. Adair Turner, the CBI's director-general, said the organisation judged the parties on the basis of individual policies and saw no justification for ruling out membership of the single currency for 10 years.

● The Labour party and the opposition Liberal Democrats will today discuss tactics for a cross-party campaign to promote the single currency, at a second meeting of the new joint cabinet committee. The parties are expected to discuss ways in which Britain can send out a positive message over British membership of the Euro during the UK presidency next year.

Business activates plans to beat French blockade

Supermarkets, manufacturers and hauliers well prepared for lorry drivers' dispute

By Charles Batchelor, Transport Correspondent

British supermarkets, manufacturers and hauliers yesterday activated long-prepared plans to beat the French blockades.

Their responses ranged from re-routing trucks to non-French ports to moving shipments from road to rail and ship. Many had already increased shipments to customers or brought forward consignments from suppliers over recent weeks.

"Some companies have laid pretty complicated contingency plans, so we won't be seeing empty shelves," said John Hix, campaigns manager of the Freight Transport Association, representing 12,000 shippers and hauliers.

Supermarkets group J Sainsbury said it had reserved additional space on freight ferries from Bilbao in northern Spain to bring in citrus fruit and other fresh produce. Citrus fruit will also be brought in by train from Spain.

French wines and fresh produce had been ordered in advance and were now stocked in warehouses in the UK. Sainsbury said it had no plans to air freight inward consignments. Supermarkets group Asda said it had also taken additional space on ferries from Spain. The store group Safeway said it was re-routing shipments from Italy away from French ports to Ostend in Belgium.

Kodak, the photographic group, said it had switched from road to Channel tunnel rail freight to move consignments of film, paper and chemicals from the UK to finishing plants and customers in Spain and Italy. The Channel tunnel connects England and France. The company said it would move one or two container loads of products a day to mainland Europe.

Road haulage companies said they were using their experience of previous strikes to avoid hold-ups, though they acknowledged that blockades could appear unexpectedly.

"Many of our drivers are on their third campaign after the problems in 1992 and 1996 so they have a good idea of where the pinch points are," said Peter Denby, managing director of Denby Transport, which operates 40 tractor units and 100 trailers from eastern England. Denby contacted all its customers in France and Spain six weeks ago, asking them to order early. Most brought orders forward to October.

The company, which transports chemicals, machinery and textiles, has yet to receive compensation for the delays it suffered last year. It is unlikely to be covered by its strike insurance policy this time because the disruption was signalled well in advance, said Mr Denby.

The ferry companies P&O European Ferries, Stena Line and SeaFrance said they would switch sailings to Ostend and Zeebrugge in the Netherlands if Calais and other French ports were blocked.

UK NEWS DIGEST

Transport link delay feared

The extension of London Underground's Jubilee line, a key transport link for the Millennium Dome project in Greenwich, may not be fully operational before 2000, said rail and engineering industry managers close to the project.

Restricted capacity on the £2.75bn ($4.5bn) extension, which is intended to bring one in three visitors to the dome, would cause problems because the visit is planned as a "non-car event", said Millennium Experience, the organisation in charge of the project.

A Millennium Experience spokesman denied any knowledge of delays while London Underground insisted that the 11-mile link between London's West End, Canary Wharf in Docklands and Stratford in east London would meet its deadline of opening at the end of September 1998. But managers close to the project said it appeared unlikely the advanced signalling system would be ready in time. *Charles Batchelor*

■ MUSIC RETAILING

Internet record plans on hold

Virgin Megastores and HMV, two of the country's largest music and video retailers, have delayed plans to launch internet record stores until next year. Both companies have been developing ambitious proposals for UK versions of fast-growing US online retail operations, such as CD Now and Music Boulevard, which sell music, videos and related products over the internet.

Virgin, part of the WH Smith retail group, had planned to unveil an internet site this autumn from which consumers could order the 140,000 products sold at its flagship store on London's Oxford Street.

Neil Boote, marketing director of Virgin/Our Price, said the launch had been postponed until "January at the earliest". One reason for the delay is the uncertainty over Virgin/Our Price's future ownership, following WH Smith's announcement that it intends to sell its controlling stake in the company. *Alice Rawsthorn*

■ DROUGHT WARNING

Consumers may face restrictions

Consumers in south-east England and East Anglia will face restrictions on water use next summer if the weather remains unusually dry this winter, the Environment Agency warns in a report published today.

The report reveals drought contingency strategies which water companies in the affected areas have drawn up at the agency's request. Some companies are already considering hosepipe bans, along with applications to the agency for extensions of their licences to abstract water from rivers. The agency said bans on non-essential uses of water such as car washing might also be necessary.

The report says that the last two and a half years have been the driest since records began in 1766. The average rainfall in England and Wales over the last 30 months has been nearly a fifth lower than average. *Michael Peel*

■ TRADES UNION CONGRESS

Offer over industrial injuries

The Trades Union Congress has claimed it could save the government up to £5bn ($8.3bn) a year by helping to represent all employees who are injured at work – whether or not they are union members. John Monks, the TUC's modernising general secretary, said that anyone off work because of injury should be able to claim compensation or treatment through a union rather than rely on the government.

Mr Monks will put the proposals to ministers over the next few weeks. "Insurers and unions have indicated a substantial level of agreement on the principle of the proposals, although I am well aware that the devil may be in the detail," he said. *Andrew Bolger*

■ ANTI-HUNTING BILL

Government confirms non-support

The government yesterday moved to quash speculation that it would actively support proposals to ban fox-hunting. The wild mammals (hunting with dogs) bill, published today, is scheduled for a free vote in the House of Commons on November 28, where it seems likely to be supported by most MPs.

But amid rumours to the contrary, the government repeated it would not provide the extra parliamentary time needed to prevent the bill being "talked out" by opponents.

Government officials are concerned the controversial measure could block flagship legislation – particularly on Scottish and Welsh devolution. *Liam Halligan*

Manufacturing exporters report higher orders

By Richard Adams

The growing economic recovery in Europe has breathed new life into UK export order books, according to the latest survey of manufacturers.

Almost one in four manufacturing exporters reported higher orders from overseas during October, the Chartered Institute of Purchasing and Supply survey showed.

The institute's index of purchasing managers had been showing falling export orders since June. Similar surveys by the Confederation of British Industry, the employers' organisation, and the British Chambers of Commerce have also shown sharp falls in exports, as the strength of sterling's appreciation made UK goods more expensive on overseas markets.

The index, based on data from purchasing managers controlling budgets worth £750bn ($1,245bn) a year, also showed continued strong domestic demand, but gave mixed signals on prices. The survey gives few clues as to the chances of another interest rate rise by the Bank of England, the UK central bank, when its monetary policy committee meets tomorrow and Thursday.

The overall index rose to 53.7 in October, indicating a faster rate of growth in manufacturing than September's index of 52.7. But the Bank of England is more concerned about overheating in the service sector rather than manufacturing, which has been subdued in recent months.

Output by manufacturers increased slightly last month, but continued to fall over the last three months. Manufacturers reported increased consumption of raw materials, while input prices continued to fall.

The rebound in export orders will surprise many economists, who have predicted a meltdown in UK export prospects since sterling made its rapid rise against other European currencies in August last year.

However, the pound has fallen off its peaks earlier this year, easing pressure on exporters, while continental Europe has started moving out of recession. The institute said: "Strengthening economic expansion in Europe has helped boost UK export volumes and partially offset the negative influence of the exchange rate on overseas demand."

Minister to end aid and trade scheme

By David Buchan and Liam Halligan

Britain's £73m ($121m) annual "aid and trade programme" is to be abolished, weakening the link between overseas development assistance and contracts for UK companies, Clare Short, the international development secretary, said yesterday.

Details of the government's proposals for future aid relationships will be unveiled tomorrow by Ms Short, in the first policy paper on overseas aid for 22 years.

Speaking to the Association of Foreign Affairs Journalists, Ms Short insisted the paper would underline her department's desire to "work with the private sector", reciprocating the desire of much of UK business "which wants to be seen as ethical".

She said the paper would commit the government to reversing the decline in the aid budget under Conservative administrations, "redirecting resources to poverty eradication, education, health and recognising the developmental role of women".

Officials said the department had concluded that ATP was not the most efficient use of British aid.

It will be replaced by a raft of initiatives to support business in developing countries.

However, many companies which benefit from ATP, as well as politicians from both main parties, are likely to argue that the abolition will damage prosperity at home.

Since 1978, Trafalgar House has received £164m in ATP contracts, with GEC winning £154m and Balfour Beatty £106m.

Dale Campbell-Savours, a former frontbench Labour development spokesman, last night said he was "against a blanket ATP ban".

"Transport infrastructure is the main British export to many developing countries and if our export-oriented firms are squeezed they will shed jobs," said Mr Campbell-Savours, in whose constituency British Steel manufactures railway lines for export.

ATP has been in Labour's firing line since the previous government used it in 1989 – against the advice of the then overseas aid administration – to enable UK contractors to win the controversial Pergau dam contract in Malaysia.

The government has upgraded aid by making it the responsibility of the Department for International Development, a new cabinet-level body.

Ms Short acknowledged this had created some "boundary" conflicts with other ministries, but the department had now "got over its teething problems and is a very healthy adolescent".

The World Development Movement, the campaign which criticised the Conservatives over the Pergau Dam affair, gave the policy paper "one out of 10".

"The ATP programme accounts for only 10 per cent of all tied aid," it said. "More than £500m of Britain's £1.2bn bilateral aid budget is still used to make poor countries buy British."

This view was dismissed by the international development department as "utterly wrong".

Race against world to capture investors

North-east region faces widening threat to its success with overseas companies

Somewhere in north-east England, an overseas investor with a manufacturing base is deciding whether to expand at its existing site or move to Hungary.

The Northern Development Company, which is behind much economic regeneration in the north-east, is following the deliberations of the company – whose name it is keeping confidential – with some concern but little surprise.

Based in the region's principal city of Newcastle upon Tyne, NDC – which led the north-east's capture of substantial projects by big-name investors including Siemens, Samsung and Fujitsu – has a formidable inward investment record. In its 11-year history, it has attracted more than 520 projects worth more than £8.8bn ($14.6bn), creating or safeguarding 75,000 jobs.

NDC has influence too, and a shrewd sense of timing. The government's search for a concordat to prevent UK regions outbidding each other for inward investment – and the House of Commons' Treasury committee's decision last week to reappraise the Barnett public spending formula, which favours Scotland and Wales – are the result of NDC lobbying.

But the company says that behind the fight between the regions is a wider concern – that the emergence of new locations worldwide will threaten the UK's success in winning inward investment.

"We believe we have to secure as much foreign direct investment for the north of England over the next five to 10 years as we can, because after that it will become very difficult," says David Bowles, NDC's operations director.

According to the latest Invest in Britain Bureau figures, the UK remains the developed world's second-biggest recipient of inward investment after the US. In 1996-97, the UK attracted 40 per cent of US investment into the EU and more than 40 per cent of that from Japan and Asia. The value of foreign-owned investment stock in the UK is estimated to be nearly £160bn.

However, in the last couple of years, central European countries – especially the Czech Republic, Poland and Hungary – have seen inward investment as a quick route to building their economies. On offer are low labour and site costs and attractive tax regimes.

Lurking behind the central European challenge is the threat from China. Ian Harris, chairman of the British Textile Machinery Association, says that additional capacity being set up overseas tends to go to China, "on the basis that that's the coming market".

Mr Harris – chairman of Bonas Machine, a Gateshead-based textile machinery manufacturer – adds that highly subsidised products, often produced by German manufacturers with Czech Republic plants, are currently worrying many association members.

But Llew Aviss, president of the North East Chamber of Commerce and personnel director of Siemens' new North Tyneside semiconductor plant – the north-east's most recent big inward investment – says that the most critical issue remains the availability of skilled and trainable employees. It is on this, he believes, that the UK must focus.

"It's what people can contribute rather than what they cost which very often makes the difference," he says.

"It's the people side which will make or break it."

Chris Tighe

Where the jobs are coming from

Foreign investment in the UK, 1996-97

Country	Total new jobs	Investment totals announced (£m)	Number of projects
US	21,484	3,989	240
Japan	5,479	884	43
Germany	2,107	784	41
Canada	938	77	27
Netherlands	641	77	15
France	1,061	154	14
Sweden	311	22	12
Taiwan	1,360	74	8
South Korea	8,338	2,704	6
Italy	348	22	4
Others	4,062	550	73
Total	46,179	9,347	483

Source: IBB

Government is urged to back exports actively

By David Wighton, Political Correspondent

The government should take an active role in pulling together consortia of UK companies to bid for large overseas contracts, according to a government-sponsored report published today.

The Export Forum, a working party of business leaders and civil servants, calls for the government to move towards the more interventionist approach to export promotion adopted by some other countries. It also believes the government should select key markets and sectors on which to focus the support budget.

The report's authors are aware there may be some opposition to the idea of the government picking export winners, but argue that business would welcome the move which should provide better value for money.

The forum is not proposing that the government go as far as the Japanese ministry of international trade and industry in putting together consortia for overseas projects. But it recommends government be prepared to get more involved.

"If it is clear that there is a particular partnership that would stand a good chance, the government ought to try to bring the companies together and then throw its full diplomatic weight behind them," said one member of the forum.

The forum was set up by Margaret Beckett, the industry secretary, in May to review government export promotion efforts. Bringing together business leaders with civil servants from the Department of Trade and Industry and the Foreign Office, the forum has examined the effectiveness of trade promotion, trade fairs and other export services.

Although it is generally supportive of the existing schemes, it concludes that they are frequently underutilised. In particular, many small and medium-sized companies appear unaware of the support available.

The report also questions whether the support provided for trade fair promotions is too widely spread. "There is a good case for reassessing the individual fairs to establish whether they are worth providing support for," said a forum member.

هكذا من الاصل

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In clinical studies, the PhotoPoint drug is injected and is subsequently retained by target cells. It remains inactive until exposed to a specific wavelength of non-thermal red light.

Light is directed at the target area. A small diode-based system generates the light, and special devices deliver it within the body or on its surface.

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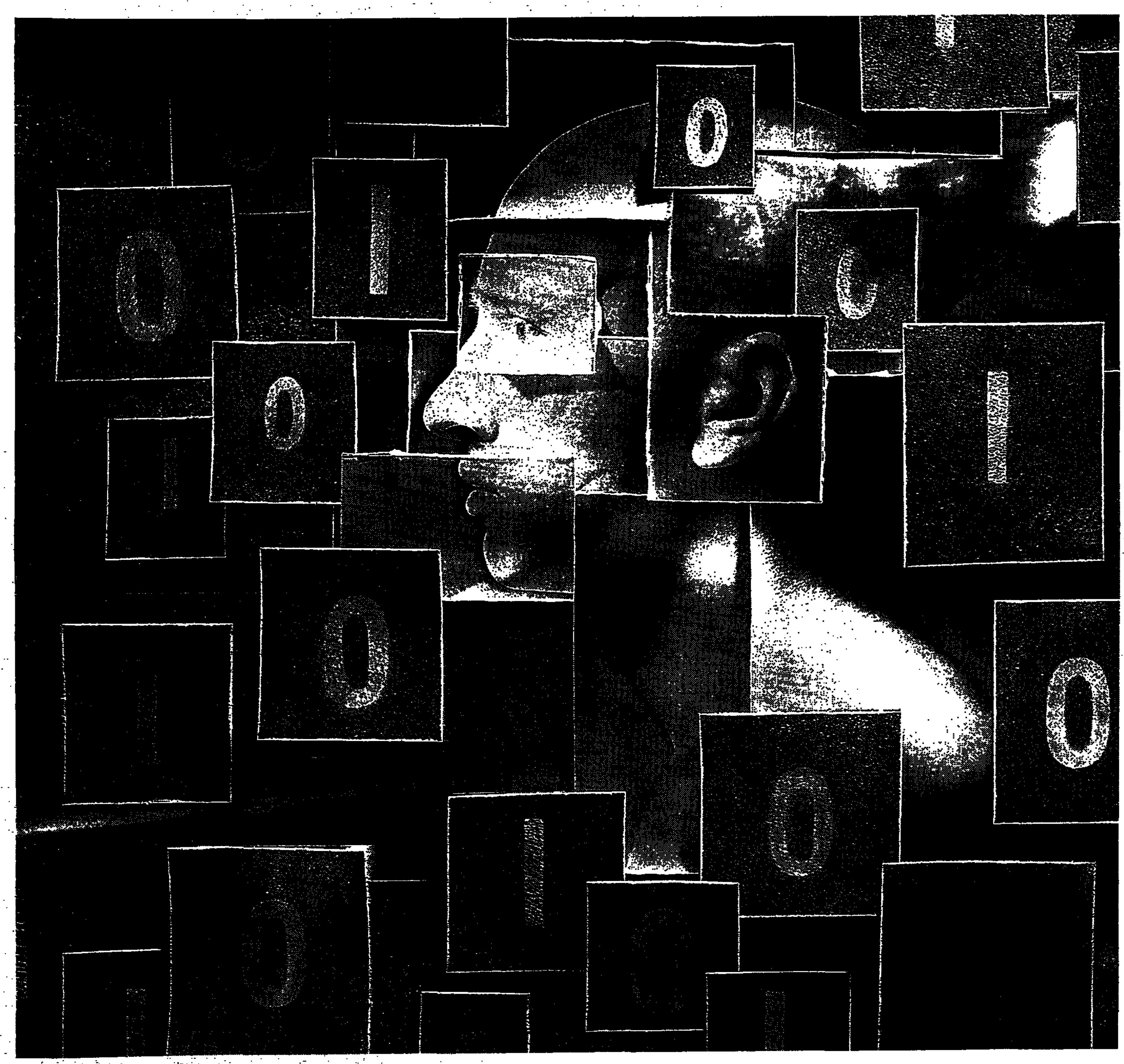

Doctors want drugs powerful enough to destroy a disease. But they also seek to leave healthy parts of the body unharmed.

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BUSINESS AND THE LAW

Court upholds laws on gas

EUROPEAN COURT

The European Court has ruled that legislation covering the import and export of gas and electricity in Spain, Italy, France and the Netherlands was not in breach of the Treaty of Rome.

The judgments arose out of proceedings brought by the European Commission against Spain, Italy, France and the Netherlands on the grounds that each member state had failed to fulfil its obligations under the Treaty.

The UK intervened in support of the Commission's arguments, and Ireland intervened in support of the defendant member states.

In each case, the Commission sought a declaration that by reserving to itself exclusive import and export rights for electricity and, in the case of France, gas, the member state in question had failed to fulfil its obligations under the Treaty concerning the free movement of goods.

In the proceedings against Spain, the Commission argued that the legislation concerning the operation of the national electricity system acted so as to reserve to the Spanish state, through the state owned electricity company, the exclusive right to import and export electricity.

The Spanish government denied that the legislation operated in this way, and the European Court accepted those arguments, noting that an absence of any evidence of international trade having taken place was irrelevant. The application against Spain was therefore dismissed.

The Italian government sought to argue in its proceedings that electricity did not constitute "goods" within the meaning of the rules contained in the Treaty.

However the European Court rejected the argument that the import and export of electricity were properly defined as "services" under the Treaty, and went on to consider whether the legislation and arrangements which existed in Italy, France and the Netherlands were contrary to the rules concerning the free movement of goods.

In each of these three sets of proceedings, the Court concluded that the statutory provisions and arrangements in question were contrary to the provision of the Treaty covering state monopolies.

These provided that member states should progressively adjust any state monopolies of a commercial character, so as to ensure that by the end of the transitional period no discrimination regarding the conditions under which goods were procured and marketed existed between nationals of member states.

However, Italy, France and the Netherlands all contended that the arrangements were justified on grounds of general economic interest, and therefore were not in fact contrary to the Treaty.

The Court considered first whether the provision of the Treaty which provided an exception for undertakings entrusted with the operation of services of general economic interest was applicable to the provisions of the Treaty concerned with the free movement of goods. It concluded that this defence was available in such cases.

The Court then went on to examine whether, in relation to each of the member states in question, the reservation of exclusive rights to the state to import and export electricity and, in the case of France, gas, was, on the facts, justified on grounds of general economic interest.

In all the cases the Court concluded that the national legislation and arrangements were justified on general economic interest grounds and that the development of trade was not affected to such an extent as would be contrary to the interests of the European Union. The applications made by the Commission were dismissed.

C157-160/94: Commission v The Netherlands, Commission v Italy, Commission v France, Commission v Spain, ECJ FC, October 23 1997.

BRICK COURT CHAMBERS, BRUSSELS

Defending the code

The UK's Takeover Panel wants Brussels to drop its proposed directive on bids, says Robert Rice

The UK's Takeover Panel has renewed its attack on the European Commission's proposed directive on takeover bids.

In a letter to Mario Monti, the single market commissioner, Alistair Defriez, the panel's director-general, has called on Brussels to either drop the proposal altogether or withdraw it in favour of a recommendation or voluntary code which he says could achieve many of the objectives of the draft directive but without its disadvantages.

The move follows a legal opinion by leading European lawyers which concludes the directive fails to satisfy the principles of subsidiarity and proportionality set out in the Edinburgh Declaration and enshrined in the subsidiarity protocol of the recently signed Amsterdam Treaty and is therefore unlawful.

Brussels claims it is seeking a law to regulate takeovers in the European Union because member states want one. But according to Mr Defriez the principle consultation exercise on the current draft proposal was done in 1993 and since then much has changed.

As it was, in 1993 only seven of the 12 member states favoured a directive – a bare majority. However, since then, research has shown that 70 per cent of all takeovers in the EU and 94 per cent of all hostile bids take place in countries opposed to the directive, among them the UK, the Netherlands, Germany and Ireland.

Of the new entrants to the EU since 1993, Sweden and Finland are believed to support the UK's stance. The member states are thus now split almost 50-50, hardly a ringing endorsement for action, he says.

He also argues that since 1993 the general level of takeover activity in the EU has risen considerably and there have been several changes in the way takeovers are regulated.

In 1995 only two member states had systems for regulating takeovers – the UK and the Netherlands. In 1997 only two countries do not have their own system – Austria and Luxembourg. So if virtually everyone has their own system for regulating takeovers – both Austria and Luxembourg plan their own systems soon – what is the purpose of EU action in this area, he asks?

The draft directive is a framework measure based on five general principles culled from the UK's 10 general principles set out in the non-statutory City Code on Takeovers and Mergers. It is not intended to provide detailed harmonised rules and yet the panel says it threaten's the UK's non-statutory way of doing things. The panel fears that once the code is enshrined in statute, takeover bids are likely to become bogged down in litigation.

At present the approach of the UK courts to applications for judicial review of the panel's decisions is not to intervene save in exceptional cases. In the 1987 Datafin and 1989 Guinness cases, the courts made clear that they will generally accept the panel's interpretation and application of the code.

Unless the panel acted unfairly to the extent that the applicant suffered real injustice, or the panel interpreted the code in a way which is in conflict with principles of equity, or is so perverse as to be inconsistent with the ordinary meaning of the words in question, they will not interfere.

The panel fears this will change once a statutory framework is imposed. Once the general principles of the code are "law" the precise wording of the principles will come under closer scrutiny from companies involved in takeovers.

As well as challenging the panel's interpretation of the code, litigants may also be able to challenge the way the directive has been incorporated into UK law by the government.

If such challenges were mounted in the UK, the UK courts might feel obliged to refer the issue to the European Court of Justice in Luxembourg for a preliminary ruling, effectively placing a block on a bid while the matter was resolved. The delay involved in getting a ruling from Luxembourg, currently running at about two years, would kill the bid stone dead.

The panel also fears that judgments of the European Court could fetter its interpretation of the takeover code as Luxembourg judgments involving takeovers regulated by supervisory bodies in other EU states will be binding on the panel.

The Commission argues that the UK is exaggerating the risks of litigation. It points to other directives in this area, such as the listing particulars directive, and says no real litigation has flowed from that.

The panel's response is that listing is not done on a contested basis. Particularly in hostile takeovers, the parties and their advisers will feel compelled to use whatever ammunition is available and if they perceive that litigation could successfully help a party win or frustrate a bid, they would use it.

To make matters worse, Mr Defriez says, Commissioner Monti has recently announced that a business tax harmonisation measure will be dealt with by a voluntary code of conduct.

"It seems very odd to propose a voluntary code for a business tax measure but a legally binding directive for regulation of takeovers," he says.

The panel's sense that the Commission may be wavering stems from the lack of progress on the draft directive.

Last November the draft came under scrutiny by the European Parliament in Strasbourg. Examination by the legal affairs committee led MEPs eventually to propose earlier this summer several amendments to the draft mostly of a social nature.

While the liberal grouping at Strasbourg felt the directive was premature and should at least be delayed until the Commission had completed its wider consultation on European company law issues, the socialist grouping felt the directive should be amended to incorporate workers rights, such as rights of consultation during takeovers and other measures aimed at safeguarding jobs.

The parliament's proposals went to the Commission in June but the Commission has still not produced an amended text. Meetings scheduled last week by the Luxembourg presidency for a Council of Ministers' working group to consider the new text had to be postponed and are not now expected to take place before December at the earliest.

The panel believes the reason for the delay is that while some of the amendments proposed by the MEPs are uncontroversial, the Commission fears others may prove politically unacceptable to several member states. If it incorporates them into a new draft of the directive it would significantly reduce its chances of going forward into law.

Interestingly, the panel notes that Mr Monti's recently published draft action plan, setting out his priorities for completing the single market programme, fails to mention the takeover directive.

It is into this confusion surrounding the directive that the panel has tossed the legal opinion of David Vaughan QC and David Lloyd Jones of Brick Court Chambers, London.

The barristers argue that the subsidiarity protocol of the Amsterdam Treaty requires Brussels to justify all EU action by reference to the principle of subsidiarity, but the directive fails to do that for several reasons.

Takeover regulation is not an area which falls within the exclusive competence of the EU, they say. Regulation of takeovers can be, and is, effectively dealt with at the national level – a fact shown by the Commission's choice of the UK system as a model.

The Commission has failed to establish that takeover regulation has transnational aspects which cannot be regulated by member states. It has also failed to identify any transnational problem requiring EU action. And, it has failed to demonstrate that action at EU level would produce clear benefits compared with action by member states.

They add that the provisions of the directive are so general that it cannot bring about any meaningful equivalence, let alone harmonisation.

"Paradoxically, the Community, having adopted a minimalist approach in an attempt to meet the requirements of the doctrine of subsidiarity, has reduced the requirements of Community law to such a basic level as to demonstrate the absence of any necessity for Community action," they say.

The barristers argue the directive also fails to satisfy the requirement of proportionality in the subsidiarity protocol, which requires that while respecting European law, Brussels must take care to ensure established national arrangements and the organisation and working of member states' legal systems, are respected.

This the draft directive fails to do. If the code becomes enshrined in legislation, the UK's non-statutory system which Brussels chose as its model, would be jeopardised. A new area of legal activism would open up in takeover battles. "Furthermore, since the ultimate arbiter of the issue of Community law must be the Court of Justice, prolonged delays will be inevitable," they say.

Mr Monti's response is eagerly awaited.

INTERNATIONAL PEOPLE

Wall spearheads Nasdaq's growth

Nasdaq has underscored its global ambitions with the promotion of John.T. Wall to president of its international operations.

Wall, as vice-president of issuers, Investors and International Services, has been responsible for Nasdaq's international operations. The upgrading of his responsibilities signals the significance attributed to international expansion by Nasdaq. Wall will be responsible for strategic development and international marketing of products and services as well as foreign company listings.

About 5,600 companies are listed on Nasdaq, the largest stock exchange in terms of dollar volume traded after the New York Stock Exchange.

Four hundred of these are non-US companies with 42 from the UK, including Reuters, Orange and United News and Media. Nasdaq is conducting a £6m advertising campaign in the UK, promoting its web site to attract private investors.

Alfred Berkeley, president of the Nasdaq Stock Market, said: "Given the increased globalisation of our operations John's appointment is both logical and essential at this juncture."

Wall, who reports directly to Berkeley, said: "Pursuit of global liquidity pools has led Nasdaq to have more international listings than any other US market. This is an essential part of Nasdaq's future growth." Wall, 55, was appointed executive vice-president of the Nasdaq Stock Market in 1982. From 1976 to 1982 he was senior vice-president of the compliance division.

Lisa Wood, London

Perlstrom to join Lee & Allen

Lee & Allen, the international forensic accounting firm with offices in New York, Hong Kong and London, has appointed Mark Perlstrom, a former senior investigator with Britain's Customs & Excise, to head its new tax investigation team.

Perlstrom's team will advise clients who find themselves in dispute with the European Commission or national tax or customs authorities, facing demands for back taxes or criminal prosecution.

Since Lee & Allen engages in neither auditing nor tax planning, it avoids conflicts of interest in such situations, says Perlstrom, 36, a self-confessed gamekeeper turned poacher. It advises only how to deal with problems, not how to avoid them.

Perlstrom is a veteran of ad hoc secondments to Uclaf, the Commission's anti-fraud unit. That experience is already being put to use in work for clients accused of avoiding duty on imports of T-shirts from Bangladesh and tuna from Ecuador.

Clay Harris, London

Ricke appointed to T-Mobil

Deutsche Telekom has acted swiftly to fill the top post in T-Mobil, its mobile telephone subsidiary, following last month's resignation of Lothar Hunsel amid talk of dissatisfaction with the unit's performance against strong competition in Germany's already liberalised mobile phone sector.

Kai-Uwe Ricke, 36, will move from head of Talkline, Germany's second biggest service provider specialising in buying and selling telephone capacity, to the Telekom subsidiary in January.

Ricke has built Talkline, a subsidiary of TeleDanmark, since 1990 into a company with an annual turnover of DM1.1bn (£379m) and 850 employees. He is a marketing expert and it is mainly in this capacity that he will seek to propel T-Mobil from second place in the German mobile phone market to the number-one spot currently occupied by the D2 digital network, owned mainly by the Mannesmann industrial group.

Ricke, the son of a former Telekom chief executive, will join Telekom just as the German telecommunications market is being liberalised. In response, T-Mobil will be tied more closely to the parent company than previously. It will also be given responsibility for marketing Telekom products that are sold indirectly through partner companies rather than through Telekom's own retail and direct trading system.

Ron Sommer, Telekom's chief executive, yesterday said this realignment would increase synergies and help the Deutsche Telekom group handle the melding of mobile and fixed network telecommunications services and the marketing of products for both businesses.

"The customer could not really care whether he is using a mobile or fixed network. He wants to be reachable and to communicate, and if possible with just one phone number," Sommer said.

Peter Norman, Bonn

ON THE MOVE

■ MERRILL LYNCH has appointed Alfred Berger the country chairman for Switzerland country. In this newly created role he will act as the firm's senior client relationship officer in Switzerland and will be responsible for overseeing Merrill Lynch's overall business development activities. He will continue to head Merrill Lynch Bank (Suisse), the Geneva-based private bank, and Merrill Lynch Capital Markets AG, the Zurich-based capital markets bank.

■ Petros Lambrou, managing director of OTE Telecom, has been appointed governor of the state AGRICULTURAL BANK OF GREECE. He replaces Christos Papathanasiou.

■ HANG SENG BANK will appoint David Eldon non-executive chairman with effect from December 31, replacing Quo Wei Lee who will retire as chairman of the bank. Eldon will retain his position as chief executive of Hongkong and Shanghai Banking.

■ Alan Gibson, 42, has joined ICL, the IT systems and services company, as managing director of its enterprises division which operates across Western and Central Europe, the Middle East and Africa. Gibson joins from Groupe Bull, the French IT company.

■ Don Davis has become ROCKWELL INTERNATIONAL CORPORATION'S chief executive, succeeding Ronald Beall who will remain chairman of the board. He will continue as chairman of Rockwell's board until next February, when Davis will become chairman. Beall will remain on the board, where he will serve on the newly created executive committee as chairman.

■ Tom Lövstad has been appointed managing director at the UK arm of Tarkett, the floor-covering manufacturer. He takes over from Ulf Mattson who is moving the the US to take up the role of chief executive at Harris-Tarkett. Lövstad was marketing director for Tarkett's European division.

■ HONGKONG TELECOM has appointed Richard Brown chairman, replacing Brian Smith who will continue serving on the board as a non-executive director.

■ TELESYSTEM INTERNATIONAL WIRELESS has appointed Marc Godin chief financial officer of European Specialised Mobile Radio (SMR) Operations and finance director of TetraLink Telecommunications. Based in the UK, Godin will continue as a member of the management board of Telesystem International Wireless Corporation.

■ THORNTON MANAGEMENT (Asia) has appointed Mark Konyn head of marketing in Asia. Koyn joins from Fidelity Investments, where he was the senior director with responsibility for the company's institutional business in south-east Asia.

■ SOVEREIGN RISK INSURANCE, the Bermuda-based political risk underwriting agency formed as a joint venture between ACE and EXEL, has appointed Leigh Hollywood, 57, chief underwriting officer. From 1988 to 1997, Hollywood was the senior underwriter at the World Bank's Multilateral Investment Guarantee Agency.

■ CROSBY has appointed Yuuichiro Nakajima director of Crosby Corporate Advisory, the corporate finance operation of the Asia-based investment bank, Crosby Financial Holdings. He will be based in London.

■ LEHMAN BROTHERS have appointed Michael Brosheit head of the firm's Frankfurt-based equity business. He joins from BNP.

■ Marc Chardon has been appointed managing director of DIGITAL EQUIPMENT France. He replaces Didier Ruffat, who is staying on as chairman. Chardon, 42, previously held various international marketing posts within the Digital Equipment Corporation group.

■ Blair Smith has joined NIKKO EUROPE as managing director and chief administrative officer with responsibility for personnel, premises and facilities management, corporate communications and public relations. He joins from Credit Suisse First Boston.

■ The former president of the Central Board of Customs, Warsaw, Mieczyslaw Nogaj has joined the Customs and International Trade practice of PRICE WATERHOUSE EUROPE.

■ Yoshihiko Kakei has been promoted to managing director of Suzuki GB, a wholly owned subsidiary of SUZUKI MOTOR CORPORATION, Japan.

■ Russian aircraft engine and gas turbine maker RYBINSK MOTORS has appointed Yuri Lastochkin chief executive. Lastochkin, who had worked as the company's financial director since January, replaced Valery Shelgunov. Last year, the company set up a joint venture with US engineering group General Electric to produce parts for aircraft and industrial engines.

SUN CHEMICAL CORP, a unit of Japan's Dainippon Ink & Chemicals has named Henri Dyer, 60, chief executive, effective January 1 1998. Dyer succeeds Edward Barr who will continue as chairman of the management board of Sun Chemical Group. Dyer is currently Sun Chemical's president and chief operating officer.

■ MANNING, SELVAGE & LEE, the world's 10th largest public relations firm, has promoted three executives to global posts. Monita Buchwald has been named vice-chairman, worldwide director of strategic planning. Jackie Elliott has been named executive vice-president, director of global accounts and Lonny Unger becomes executive vice-president, worldwide operations.

■ Edward Scicluna has been appointed chairman and president of MALTA FINANCIAL SERVICES CENTRE, the island's regulatory and inward investment organisation for the financial services sector. Scicluna holds the Chair of Economics at the University of Malta and since November 1996 he has been a non-executive director of the Central Bank of Malta.

■ François David, chairman and managing director of Compagnie Française d'Assurance pour le Commerce Exterieur, the French Export Credit Insurance Agency, has been elected BERNE UNION president in succession to Erling Naper.

International appointments

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TECHNOLOGY

Global tropical rainfall has not been comprehensively measured until now, writes **Bruce Dorminey**

An eye in the rain storm

Although more than half the world's population is affected by it daily, global tropical rainfall has never been comprehensively measured.

As a result, theorists working on climate models are left without accurate measurement of two-thirds of the earth's precipitation.

"Most of the tropics lack meteorological observations because it is either ocean or territory that is not very well developed and does not have a lot of observational infrastructure," says Robert Houze, who is a meteorologist at the University of Washington in Seattle and a team leader for the forthcoming $500m (£300m) Tropical Rainfall Measuring Mission.

The joint US-Japanese mission is scheduled to be launched on November 18 from Japan's Tanegashima Space Centre and will be dedicated to studying tropical and subtropical rainfall, the primary distributor of heat in the earth's atmosphere.

Carrying the first space-borne, Japanese-built rain radar, the 3,600kg observatory will determine the vertical distribution of precipitation while looking directly into typhoons and hurricanes to follow the intensity of rain at various heights within the storms.

A multi-frequency passive microwave radiometer will look at the electromagnetic radiation emitted by the clouds, while an optical sensor images lightning and an earth radiant energy system uses visible and infrared sensors to measure energy rising from the surface through the atmosphere.

While normal ground-based radars are capable of producing a three-dimensional picture that reaches the peak of the troposphere (or the precipitation layer), the space-based radar will map the precipitation pattern over the whole globe and will be sensitive to 0.7mm per hour. By contrast, a thunderstorm will sometimes rain at 20mm or 30mm per hour.

The observatory will determine the vertical distribution of precipitation while looking into typhoons and hurricanes to follow the intensity of rain at various heights within the storm

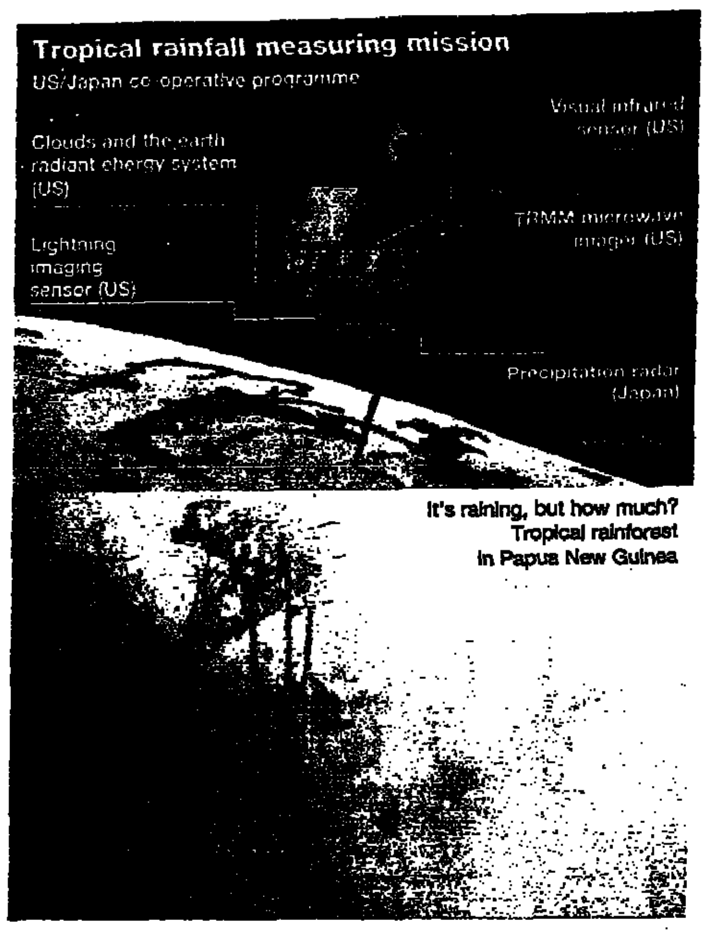
Orbiting 350km above the earth over an area between 35°N and 35°S of the equator, TRMM should be operational for up to five years. Taking data on a 24-hour basis, the observatory should provide a daily fix on rain variation, allowing researchers to determine how such precipitation varies with time.

An international ground validation team will work from four primary sites at Cape Canaveral in Florida; Houston in Texas; Darwin in Australia; and the Marshall Island atoll of Kwajalein in the Pacific, to give the best possible estimate of rain rates within a 200km radius of the surface as well as imaging the echo that the radar is missing. Secondary ground station validation sites include Brazil, Thailand, Taiwan, Guam and Hawaii.

Using rain gauge networks and distrometers, which measure the size distribution of the raindrops, the primary ground validation sites will provide data every half hour, 3-D scans of the atmosphere every 30 minutes, and will give full data every 10 minutes during a direct satellite overflight.

"TRMM will provide the first opportunity to estimate the vertical profile of the latent heat released through condensation," says Joanne Simpson, TRMM's project scientist at Nasa's Goddard Space Flight Centre in Maryland.

"Until we know how much energy is released by the condensation of water vapour, no one can say [whether] there is global warming or not," she says.



It's raining, but how much? Tropical rainforest in Papua New Guinea

In addition to providing a missing piece in the jigsaw of global warming, TRMM was designed to examine El Niño-Southern Oscillation, the variation of warm water in the western Pacific.

As warmer water moves eastward, so do accompanying cloud systems, causing fires and droughts in Australia, failed monsoons in east Asia and stormier and wetter weather along the west coast of South and North America.

Simpson had hoped TRMM would be able to follow the El Niño phenomenon from beginning to end, but its launch was delayed by two weeks because of a snag in a Japanese companion satellite, which shares part of the H-II rocket's payload.

Aside from studying global warming, next spring Japan would also like to use TRMM data to gain a better understanding of Baiu, a local weather menace that frequently jeopardises rice crops with either extremely wet or dry conditions.

In addition, given favourable budgetary conditions, TRMM researchers are hoping that this will be the first in a line of internationally backed, space-based climate observatories, each offering a higher level of radar sensitivity.

"This satellite is going to be an important experimental step, not a great leap," says Dr Houze. If it is successful, he hopes similar missions might be undertaken in the future.

Who's in the driving seat?

Mark Ward on the Brussels-backed project to introduce remote-controlled vehicles to the roads

One day all lorries, cars and vans may be chauffeur driven.

This does not mean that plans are being prepared to issue everyone with a personal driver – quite the opposite. In fact, if everything goes to plan, there will hardly be any drivers left on the roads.

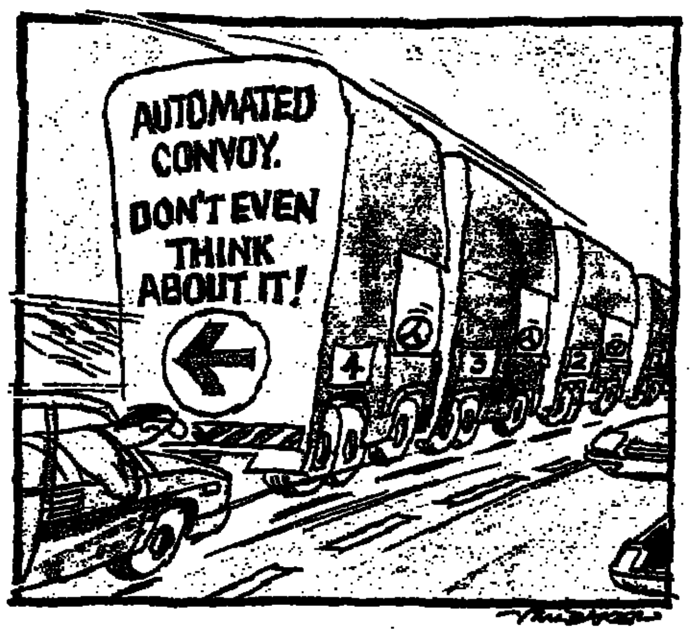
Chauffeur is a European Commission-backed research programme that plans to introduce a system where one person can drive a convoy of up to four vehicles. The transport – trucks will be used in the first instance – will be linked together electronically.

There will be no physical connection between the vehicles but a computer system in the cab of the leading lorry will ensure that following vehicles copy whatever the driver is doing up front. The lead lorry will have special markings on its rear bumper so the following lorries can recognise which one to follow.

Sensors positioned on all the vehicles keep them only metres apart. Daimler-Benz, one of the project partners, estimates that if the distance between trucks is cut from 40m to 10m at speeds of 80km/h, fuel savings of 15 per cent can be made.

In an ideal world all freight would be moved by train, while trucks would only be used to transport the goods for the last few kilometres to its destination. Unfortunately the number of goods vehicles on the roads is growing continually.

The Commission estimates that the amount of freight taken by road will double over the next 15 years. In the UK, the number of HGVs on the roads has risen to more than 416,000, according to the Driver and Vehicle Licensing Agency.



The Commission wants to ensure that the trucks make the best use of the roads. Linking them in convoys means they can travel at higher speeds than if they were moving separately. Brussels claims that convoys will mean fewer traffic jams, cost savings and more efficient use of the roads.

Daimler-Benz, Fiat and truck maker Iveco are taking part in the three-year Chauffeur research programme. Two 40-tonne lorries are currently being converted to demonstrate that Chauffeur can work. The first road tests will take place next spring. Computer-controlled driving systems are being installed into the lorries so they can copy the human driver of the lead lorry.

Matthias Schulze, Chauffeur research co-ordinator at Daimler-Benz, says that ensuring this system is safe but not too expensive is proving to be a problem. The cost of converting trucks so that they can be switched between being part of a convoy, a lead vehicle or driven alone may jeopardise the future of the research project.

But he says that a bigger problem is the change in transport laws that Chauffeur will require if it is to be used throughout Europe. No system exists to certify or regulate driverless lorries. Nor is there an accepted definition of what would make such a system safe. "The legislation is not there to certify these systems," says Mr Schulze. "This work has yet to be done."

The UK's Department of Transport agrees. It says all current transport legislation is built on the premise that a person is in the driving seat. It would take a lot of work and time to convince legislative bodies that remote-controlled trucks are safe.

But it is not just trucks that could one day be driving themselves.

Work is also progressing on a driverless ship that would use Global Positioning System satellites in order to steer a course.

The rationale behind the project are figures published by the US Coastguard, which reveal that human error is responsible for 80 per cent of all maritime-related accidents. It remains to be seen whether computers can do any better.

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ARTS

Spotlight on scrapes and scratches

William Packer despairs of the cod socio-psycho enquiry behind the Turner Prize exhibition

The Turner Prize is here again. The four finalists are showing at the Tate: Channel 4 makes its annual gesture to New Art as the stuff of serious television; £20,000 goes to the lucky *winner on* December 2; the nation holds its breath. Oh dear.

Yet when the prize was set up in 1984, I thought it on *the whole* a good thing. Now it is something very different: narrow in focus, tendentious in argument, patronising and *self*-important in its engagement. Rather unexpectedly, Janey Walker, "Commissioning Editor, Arts" for Channel 4, makes the very point in her foreword to the exhibition pamphlet. "The Turner Prize", she says, "offers a brief but dazzling spotlight on the keenest British talent and has a huge effect on the general awareness of new art. Every year the critics fasten on to a fresh row *about the short-list* ... But ... a public who often feel excluded from the contemporary scene now instantly recognise what the Turner Prize is."

But all art is "new art" in its time. The only questions are, or should be, how good is it, and which the best of any current crop. One would also expect to look across a fairly broad range of interest for any credible answer. Instead, that scope has narrowed to the point where, this year, attention is set exclusively upon conceptual work. The damaging inference is that only within this narrow field is "the keenest British talent" engaged.

Nicholas Serota, the Tate's director, tells us that "the exhibition ... and the accompanying broadcast ... cannot possibly cover the full range of new developments, nor can they survey all that is important in contemporary art in Britain. Nor is the prize intended ... as a forcing ground for new talent. It answers the simple questions, what were the exhibitions, which were the works of art and who were the artists whose work had *the strongest and most* enduring impact this year on ... the jury."

So the prize, *pace* Janey Walker, is not playing its

'Phantom Twins', 1997, a product of Christine Borland's 'researches'

dazzling spotlight on the keenest British talent after all, let alone the full range of new developments or anything important, but only on what caught the jurors' collective eye in making the strongest and *most enduring impact of the* year. As for bringing on the young, oh no. No artist over 50 is eligible, and of this year's four, three are in their 30s, the oldest only 41.

All are women, nothing wrong in that, and in their "art practice", they "conduct research" (Christine Borland), "test" the physical properties of things (Cornelia Parker), *"examine" modes of public* behaviour (Gillian Wearing), and "demonstrate" society's constraints upon human choice (Angela Bulloch).

Well, they can sit on a tuffet with Miss Muffett, "investigating" instinctive human reaction to their hearts' content for all I care, but I have yet to be persuaded that such cod *socio-psycho enquiry* should be taken as justification of Art as Art. We might as well think Rubens an artist for his "researches" into cellulite.

I have no objection to these artists' methods or approach, for any artist is free to adopt whatever means are available and appropriate. What I do object to is the assumption that they alone are of current significance and importance.

Angela Bulloch is commended "for her *inventive use of a wide* range of media and approach to exhibition-making". She shows a drawing machine, a *wall-long text of rules about* sitting in the exit seat of an aeroplane, and a large, interactive, fabric tube.

Christine Borland shows a room full of heads, each reproduced by a laser-scanning process from life-casts and models in a medical museum in Munster, Germany. They point up racial differences and medical conditions but, since the records were lost in the war, she can "only speculate as to whether these items had served as teaching tools." Even so, she thinks they show "how science has legitimised the *dehumanisation of racial* groups."

Gillian Wearing makes quasi-documentary videos. She dances in the street for half an hour. She stops people in the street to ask them how they feel. She films a mother and her grown-up daughter vigorously embracing - or is it struggling? – at home, and runs the tape backwards. She sets up a group of policemen, and asks them to hold the pose for a full hour.

Cornelia Parker makes little piles of things: of fluff from the Whispering Gallery at St Paul's; of waste from silver engraving or cutting records; of *confiscated* cocaine incinerated by Customs officers. She spins an old silver spoon into a wire equal in length to the height of the Niagara Falls. She presents two tarnished goblets, for the sake of the tarnish. She scrapes and scratches.

Her major "art work" is an installation of charred timber, retrieved from a Texas church that was struck by lightning, hung on threads from the ceiling. It does have a certain formal and theatrical presence, a block of shattered matter, denser towards its centre. In *a Knightsbridge* shop-window, it would look pretty good, and by this measure, at least, Parker looks set to win the prize.

The Turner Prize: The Tate Gallery, Millbank, London SW1 until January 18; sponsored by Channel 4.

Jazz impro with a difference

Garry Booth talks to Lawrence 'Butch' Morris

The Conductor: a marketable personality who is not intimidated when standing in front of a hundred hostile musicians." This tongue-in-cheek definition of the classical maestro needs to be re-written for American jazz conductor, Lawrence "Butch" Morris.

The originator and sole exponent of "conduction", the theory of conducted improvisation, Morris is far from marketable and nor is he likely to be confronted by hostile musicians. Players have to surrender themselves entirely to survive a conduction, Morris warns.

In his conductions, of which there have been 76 to date, Morris directs his ensemble in otherwise spontaneous, or non-notated, music using a vocabulary of gestures. The signs include pointing at a section of the ensemble, or an individual and asking for sustain or repeat of phrases, for example. Or he might pan across the ensemble, "switching the players on" as the baton crosses between the eyes. More free-form swirling or jabbing motions are agreed between the protagonists before a performance.

The stick technique is without precedent. It is always up to the individual musician to interpret his signs, says Morris. There is no "correct" response, but he demands concentration and creativity. "There has to be a connection between us," he explains, "I find out pretty quickly who the bullshitters are."

The worst crime in the conduction book is the unison line, in which, apparently, weak improvisors often seek refuge. "People naturally gravitate towards playing together but I see 'copying' as a weakness, it is no better than playing notated music."

Otherwise competent musicians are challenged by Morris's concept: "This is not music they can take home and learn and so that places a demand on them they've never had," says Morris. "They know what Beethoven's Seventh sounds like, but we don't know what we're going to do until it happens, on the night."

Morris has the sort of passionate conviction in his work that has turned other abstractionists into visionaries – Ornette Coleman, Cecil Taylor and Anthony Braxton, for example. Of conduction, he says "It is the most important thing to have happened to music in the late-20th century." Of Bernstein and Rattle and their ilk he says, "I make music, they simply recreate music: that's the difference between us."

The roots of conduction lay in Morris's time with the late drummer, Charles Moffatt, on the West Coast in the 1970s. Moffatt had a rehearsal band which he would direct in ensemble improvisations, speeding them up or *slowing* them down. Morris, who was playing cornet then (he barely plays today), developed the idea and the vocabulary *after moving to* New

'Butch' Morris, originator and sole exponent of 'conduction': 'I make music ... [other conductors] simply recreate music.'

York, where he played in energy orchestras. "We would gather in someone's loft and just blow ... for hours," he remembers.

The first conduction took place in 1985 and since then he has performed across the world with ensembles of all backgrounds and sizes, including Turkish traditional musicians and Japa*nese classical ensembles.* The present tour of the UK features 24 of the country's top improvisors, including saxophonist Evan Parker.

Between conductions, the 48-year-old does straight work: he contributed to Altman's film *Kansas City;* he is currently collaborating with singer Taj Mahal, protean saxist David Murray and "deadhead" Bob Weir on a Broadway production about the life of baseball pitcher Satchel Paige.

But conduction remains the purest art form for Mor*ris. He believes that con*trolled improvisation is where music came from and that it will return there. "There is a link between what I *do* and what you hear in early music," he says, "Imagine that the laws of classicism had persisted until today: this is how people would be making music. This is the way to make music."

The Butch Morris London Skyscraper tour is sponsored by the Arts Council Contemporary Music Net*work. It plays tonight, Man*chester Royal College of Music; Friday, Bristol Arnolfini Gallery; Monday, London Queen Elizabeth Hall.

Washington takes up the baton for the arts

Pierre Ruhe attends the opening of the renovated Kennedy Center Concert Hall

Refurbished music halls have been opening across the US in recent weeks, with Chicago's Symphony Center and San Francisco's earthquake-damaged opera house prominent on the list. In Washington, the Kennedy Center Concert Hall, closed since January for a complete renovation, has just reopened with a pair of concerts by the National Symphony Orchestra under its music director, Leonard Slatkin.

While falling short of acoustical perfection, the revamped hall is sensationally better than its former self. This is the best possible news for the NSO, and its opening night was a time of genuine celebration, with President Clinton in attendance. When he mounted the podium, baton in hand, to lead Sousa's *Stars and Stripes Forever* as an encore, the hall's opening was transformed into a national news story. The gesture was a small step towards Slatkin's stated goals of helping put the arts on the national agenda.

Opened in 1971, the Kennedy Center serves as both presidential memorial and six-theatre performing arts building. A dull, leaden acoustic crippled music in the original concert hall. Violins sounded thin and reedy, the woodwinds col*ourless, and there was* little sustained heft from the lower strings and brass. Worse still, the musicians could not hear each other *across* the stage, with a resulting loss in precision and responsive ensemble playing. The hall was also unattractive to look at, dominated by an aggressive shade of scarlet red and eggshell white.

Four years ago, when Slatkin was named to succeed Mstislav Rostropovich as NSO music director, rumours circulated that an improved venue was part of the bargain. He has received more or less a new hall. Articulation and clarity have been immeasurably improved, the players can hear each other properly, and the listener now feels the warmth and enveloping sounds of a resonant hall. Yet decay-time remains too short (less than one second), and certain middle register woodwind passages can be drowned out when the strings play anything above mezzo forte. The acoustician, Christopher Jaffe of Jaffe Holden Scarborough Acoustics from Connecticut, will continue to make minor *adjustments.*

Amid the short, colourful works were two premieres, including Slatkin's appropriately titled 'Housewarming'

Since the Kennedy Center is government-owned, public funds accounted for $13m of the renovation costs. But that money was allotted by Congress only to meet safety and fire code requirements, and to improve access for the disabled. The embittered climate between arts organisations and the federal government required that any changes to the acoustics or cramped backstage area had to be funded privately. Bell Atlantic contributed $1m for a "tunable" acoustical canopy that overhangs the stage. The acoustician was consulted while the hall's interior was rebuilt, thus getting around limitations on the use of funds.

Spaces for wheelchairs necessitated a reduction in seating capacity, from 2,759 to 2,518, which also improved the sound. Tons of cement were removed from beneath the stage, and the colour scheme was changed to a pleasant dusky rose with cherry wood trim. The other Kennedy Center theaters are scheduled for renovation over the next decade, with total costs estimated at $100m.

The music for the opening concerts was intended more for orchestral display than the audience's balanced diet. Slatkin collected two of the most problematic soloists around today, soprano Kathleen Battle and pianist Van Cliburn, neither of whose performance approached their former glorious abilities. Happily, amid the short, colourful works – Ravel's *La Valse*, Gershwin's *An American in Paris*, Elgar's *Serenade* and others – were two premieres.

For his brief, loud, whooping *DC Fanfare*, John Corigliano used the two title pitches, a seventh apart, as a theme. Slatkin's own *Housewarming*, a passacaglia with the subtitle "spatial welcome for orchestra", set flutes and trumpets away from the stage, and featured children marching down the aisles of the auditorium, each striking a tiny percussion instrument. *Housewarming* had more weight than one would have supposed, and seem entirely appropriate.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Nederlands Dans Theater I: programme comprising Bella Figura, by Kylián, and new works by Naharin and Obarzanek; Nov 4, 6, 7

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
Whistler and Holland: paintings and etchings by James McNeill Whistler (1834-1903), *who made* several journeys to the Netherlands between 1863 and 1903, most famously in 1889, when he produced 14 etchings and paintings of *Amsterdam.* Also included are works by Dutch contemporaries; ends on Sunday

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Cosi Fan Tutte: by Mozart. Netherlands Opera production, conducted by Ivor Bolton in a staging by Jürgen Flimm, with an *entirely new cast;* Nov 5, 8, 10

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Seiji Ozawa in works by Dutilleux and Berlioz; with tenor Frank Lopardo, the Ernst-Senff Choir and the Berlin Boys' Choir; Nov 6, 7, 8

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: premiere of Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Nov 5, 7

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
Idomeneo: by Mozart. Conducted by John Nelson in a staging by John Copley. Cast includes Mariella Devia and Plácido Domingo; Nov 6, 10

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: *conducted by Michael Tilson* Thomas in Mahler's Symphony No. 7; Nov 6

Royal Festival Hall
Tel: 44-171-928 8800
London Philharmonic Orchestra: conducted by Ivan Fischer in works by Mozart and Bruckner. With clarinet soloist Sabine Meyer; Nov 5

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Making & Meaning: Holbein's Ambassadors. This recently cleaned double portrait by Hans Holbein the Younger pictures two French ambassadors to the court of Henry VIII in 1533. Presented alongside are drawings and miniatures, and objects relevant to the painting's *political* and religious background; opens tomorrow

OPERA
London Coliseum
Tel: 44-171-632 8300
● From the House of the Dead: by Janáček. New English National Opera production, conducted by Paul Daniel (Brad Cohen from Nov 11) in a staging by Tim Albery. The programme is completed by Twice through the Heart, by Mark-Anthony Turnage, conducted by Nicholas Kok; Nov 4, 7
● The Magic Flute: by Mozart. Nicholas Hytner's English *National* Opera production, revived by David Ritch and conducted by Christopher Moulds; Nov 6, 8
● Tosca: by Puccini. English *National Opera production,* conducted by Noel Davies in a staging by Keith Warner. Rosalind Plowright sings the title role; Nov 5

THEATRE
Barbican Theatre
Tel: 44-171-638 8891
Henry V: by Shakespeare. Ron Daniels directs this Royal Shakespeare Company production, with Michael Sheen in the title role; until 22 Nov, after which it will tour the UK

■ MUNICH

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Elektra: by R. Strauss. Premiere. Conducted by Peter Schneider, in a production *directed and designed* by Herbert Wernicke; Nov 4, 8
● Madama Butterfly: by Puccini. Conducted by Asher Fisch in a staging by Wolf Busse; Nov 5

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
New York Philharmonic: conducted by Charles Dutoit in a programme of works by Mozart, Barber and Tchaikovsky. With soprano Barbara Hendricks; Avery Fisher Hall; Nov 5, 6, 7, 8

DANCE
Joyce Theater
Tel: 1-212-242 0800
Siobhan Davies Dance Company: double-bill of Bank, Davies' most *recent work,* choreographed to Matteo Fargion's percussive score, and the award winning The Art of Touch. This week-long season is the conclusion of an autumn tour, and part of a festival *of* British contemporary dance; from Nov 4-9

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
Richard Pousette-Dart (1916-1992): works by the American Abstract Expressionist, tracing his evolution from Cubism towards his mature style. Includes loans from the artist's estate; opens today

Whitney Museum of American Art Tel: 1-212-3272801
● Fashion and Film: running *concurrently with the Warhol* show, this film and video series traces the relationship between the two industries, from early fashion newsreels and the studio designers of the 1930s to the present; opens tomorrow
● The Warhol Look/Glamour Style Fashion: major retrospective of around 500 works of art, following Warhol's career from the 1940s to the 1980s, and also including works by his contemporaries. The exhibition is presented in seven sections, and begins with a consideration of Warhol's early fascination with Hollywood glamour; opens tomorrow

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Don Giovanni: by Mozart. Production by Franco Zeffirelli, given its first performance of the season on 5th, when Amanda Roocroft makes her Met Opera debut; Nov 5, 8

New York State Theater
Tel: 1-212-870 5570
Marco Polo: by Tan Dun, premiered in Munich last year. New production by the New York City Opera conducted by the composer and directed by Martha Clarke; Nov 8

■ PARIS

CONCERTS
Salle Pleyel Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Semyon Bychkov in works by Schnittke, Mendelssohn and Strauss. With violin soloist Viktoria Mullova; Nov 5, 6

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Paris Opera Ballet: mixed *programme – Soir de fête* by Staats, L'Arlésienne by Petit, and La Symphonie fantastique by Massine; Nov 6, 7, 8, 9

EXHIBITIONS
Musée Carnavalet
Tel: 33-1-4272 2112
Paris and the Parisians in the time of Louis IV: more than 300 engravings, which together create a vivid impression of 17th century Paris. Including portraits, images of the city and its monuments, as well as proverbs, allegorical works, and almanacs; opens tomorrow

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Nabucco: by Verdi. Conducted by Pinchas Steinberg in a staging by Robert Carsen; Nov 4, 7, 10
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Fabio Luisi. With choreography by Alphonse Poulin and designs by Alison Chitty; Nov 5, 8

■ TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
Vienna Symphony Orchestra: conducted by Claus Peter Flor in works by Mendelssohn, Prokofiev and Brahms. With violin soloist Anne Akiko Meyers; Nov 6

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC Europe**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Martin Wolf

Why history is not bunk

If last week's stockmarket turmoil is not to be a prelude to an even sharper fall, investors must learn to accept much lower returns

Last week, investors' faith in stock markets was tested, but not found wanting. Having recovered from their little trip, are stock prices set to rise to ever-more glorious heights?

The chart. which updates the one accompanying the column of October 7. shows the modesty of last week's correction in New York. Over the week, the Dow Jones Industrial Average dropped a mere 3.5 per cent, London's FTSE 100 2.6 per cent, Tokyo's Nikkei 225 5.2 per cent, The FTSE Eurotrack 100 5.6 per cent and even Hong Kong's Hang Seng only 4.7 per cent.

Asian markets are well down. Between January 20 and October 28, the FT/S&P-A index for the Pacific basin (less Japan) fell 39 per cent. before making a slight recovery. In the west, however, there was just a small reduction in the gains made this year. Between the end of 1996 and the end of last week, the Dow Jones Industrial Average rose 15.4 per cent, the FTSE 100 17.6 per cent and the FTSE Eurotrack 100 30.2 per cent.

Markets in turmoil: nothing happens. That is the headline. For bulls that proves their case. For bears, it means that gross overvaluations remain intact, notably on Wall Street.

The basis of the bearish case is that market valuations oscillate around well-defined averages. Sooner or later these revert to their mean. Two averages are worth close attention: the ratio of market valuations to corporate earnings; and the ratio of market capitalisation to the replacement cost of the underlying corporate assets – known as Tobin's Q, after Yale University's Nobel laureate, James Tobin.

Estimates of Tobin's Q for non-financial corporations by the US Federal Reserve, though recently revised downwards, show the highest valuations since 1925. If this ratio were to revert to its mean, the market would decline by half.

Similarly, even after last week's correction, the p/e ratio for Standard & Poor's Composite Index was 22.7. At this level it is still hugely above its long-term historic average of 13.7, estimated for 1871 to 1996, by Jeremy Siegel of the Wharton School. Should the p/e ratio revert to mean, the market would fall 40 per cent, even if earnings were to be sustained.

Henry Ford famously declared that history is bunk. The big question now is whether these historic patterns are also bunk.

"When discontinuities threaten, it is perilous to base decisions on established trends that have always seemed to make perfect sense, but suddenly do not." So warns Peter Bernstein, a well-known investment adviser, in a fascinating book on the history of efforts to understand and manage risk.*

In 1930, notes Mr Bernstein, President Hoover declared that "prosperity is around the corner". In 1959 yields on shares fell below those on bonds. In both cases, something new and unexpected was happening: the great depression, in the first case, and the great inflation, in the second.

Is this another such occasion? If so, why might historical experience have become irrelevant? There are two hypotheses: changes in the economy and increased appetite for risk.

Some argue that the US economy can sustain faster growth than before. Correspondingly, prospects for profits are improved. Yet growth in US underlying productivity has been considerably lower than in the 1960s – a comparable period of sustained expansion and high stock markets. Moreover, the rise in corporate earnings reflects not fast growth, but a recovery in the share of profits in gross domestic product, from a trough of 6 per cent, to 10 per cent, close to the 1960s' peak of 12 per cent.

More cogent than fantasies about economic transformations is the fact that during this expansion the reduction in unemployment has proceeded without adverse inflationary consequences. For this there are three obvious explanations: the power of labour has dwindled; the US has been able to import low inflation, helped by weakness in Europe and Japan and the dollar's strength since 1995; and this expansion has been rather feeble. None of these looks permanent.

Behind the benign economic expansion may also lie improved policy-making. This would have broader implications. In this century, the two great periods of stockmarket undervaluation were the 1930s to early 1950s, and the 1970s and 1980s. These were both catastrophes – the great depression and the second world war, and the great inflation and the oil shock.

Investors may hope that lessons have been learned. If they believe disasters will be avoided, their perception of risk will fall. But this would not be the only reason for a reduction in the premium they demand for holding equities. Cheaper access to diversified portfolios, the growing liquidity of the markets and the availability of more sophisticated hedging instruments could all help reduce the risk premium. That, in turn, might help underpin apparently stratospheric valuations.

Over long periods equities have yielded far higher real returns than bonds. As John Kay pointed out in the FT yesterday, since the second world war the difference has been as high as 8 percentage points. These gaps look too large. If investors have realised this, current valuations could be less unreasonable.

At next year's prospective p/e ratios the earnings yield on Wall Street is 5 per cent, or so. This is also the real yield that matters to shareholders if they assume companies will reinvest money as profitably as they can. But this real return is only about 2 percentage points higher than might now be expected on a portfolio of safe government securities. The equity premium would then also be about a quarter of its postwar average.

For this justification of current valuations to be credible, one would have to believe that investors rationally perceived an exceptional opportunity for profit in the excess returns available on equities. These were then exploited and eliminated, the result being a once-and-for-all upward shift in market valuations.

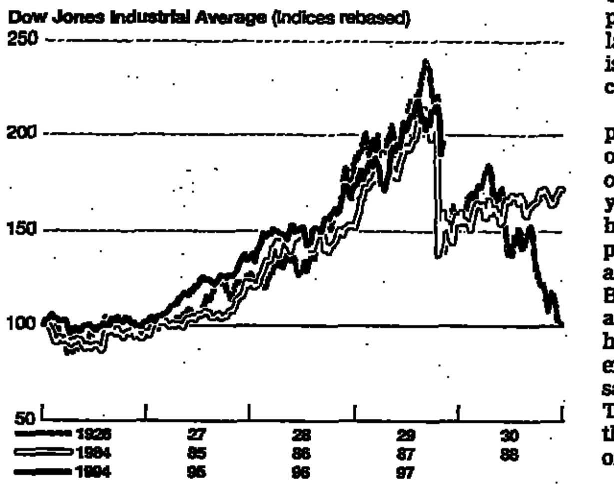
Yet, precisely because of this revaluation of equity markets over the past one-and-a-half decades, actual returns have been more than double those that investors would now have to be content with. Unfortunately, they may not be the least bit happy with these lower returns. Instead, they are far more likely to expect that the returns they have enjoyed over these glorious years will continue.

If so, investors are doomed to disappointment. Once they realise this, they are likely to wish to shift out of stocks. But, for the market as a whole, only a fall in equity prices can bring about such a shift. Once that fall has occurred, high returns are again plausible. But first there must be painful losses.

If investors are charging bulls, they must suffer disappointment. This could trigger a market collapse. Present market valuations are only sensible if there will be no adverse economic shocks and the bulls are content to graze on equity returns that are far more modest, in relation to those on other investments, than anything they are used to. A reduced equity risk premium may provide part of the explanation for current valuations. It is impossible to accept it is the only, or even the chief, one.

The correction is tiny, so far

Dow Jones Industrial Average (indices rebased)



Source: Datastream/ICV; Dow Jones

Against the Gods: The Remarkable Story of Risk, Peter L. Bernstein, John Wiley & Sons, 1996

Martin.Wolf@FT.com

Little more than a stop-gap

James Blitz on Italy's latest pension reforms

Romano Prodi, Italy's prime minister, has just completed a marathon attempt to scale back his country's annual pensions bill – a task so politically demanding it nearly cost him his job. For all his efforts, the consensus yesterday was that his attempt was good, but not good enough.

The extraordinarily generous pensions system that Italian prime ministers created in the 1960s has now become a regular headache for their successors in the 1990s. Mr Prodi's attempt is the third by an Italian government in the past five years to reduce annual pensions outlays: at around 14 per cent of gross domestic product, these are nearly double the European Union average.

Several countries in the EU are storing up huge pensions problems for the next century. But none of these time bombs appears quite as explosive as the one facing Italy, a country whose growing number of pensioners have among the longest lifespans in any EU state.

In the last 48 hours, Mr Prodi has trumpeted the results of four months of bitter negotiations with communists and trade union leaders. He has gone so far as to call the deal "historic". He is confident he can sell the package to Italy's EU partners in the next few weeks, notwithstanding fears that Italy's public finances are still not sound enough for entry to a single European currency in 1999.

There are some important reforms in the package. Mr Prodi has, for example, secured an end to many of the excesses of Italy's system of retirement income, such as the ability of some public sector workers to retire after only 19 years of social security contributions. He has speeded up the decline of another "perk", which has allowed some 2m people to retire in their early 50s on what are called "seniority pensions". Above all, he can argue – and is repeatedly doing so – that he has managed to do something to scale back his country's pensions liabilities, while the French and Germans have had severe difficulties in scaling back theirs.

But Mr Prodi's measures are little more than a stop-gap. They do not secure the necessary structural reductions in long-term pensions spending and do not cut expenditure as a proportion of GDP. The L4,100bn ($2.4bn) of savings in the 1998 budget, for example, are less than half of what the government set out to achieve earlier this year. Nor will they stop a 6.2 per cent rise in pensions outlays between now and 2000 to L200,000bn.

That the reform is the bare minimum to ensure membership of monetary union is taken for granted in Rome. The bigger question is whether any further progress can be made in the medium term. Economists believe future reforms will have to address three specific issues.

First, future governments will have to tackle the generous method by which pension payments are calculated. Retired workers receive payouts worth about 80 per cent of their final salary, rather than being based on total contributions. The government modified the system some years ago to scale down future payouts to workers currently in their 20s and early 30s, but the changes will have no impact for the next two decades of retirees. "You can see it is the holy grail of any reform plan when you realise that the salary-based system pays double what a worker would receive if the contributions had gone into a funded scheme," says one economist.

This leads to the second problem. As long as Italy retains a weak system of executive government, it will never be able to tackle such a serious reform.

Maurizio Ferrera, professor of politics at Padua University, argues that Conservative governments in the UK of the 1980s carried out significant changes to the state pension scheme thanks to their strong parliamentary majorities. "But Italy's fragmented political system means governments must always negotiate with groups like the Communists who are against change," he says. It is not likely to get easier. All-party attempts to streamline the constitution in order to create a bipolar system hold out little hope of success, at least in the medium term.

Finally, economists argue that a successful pensions reform is made more difficult because of Italy's family-oriented social structure.

The existence of extended families in Italy is often regarded as a factor that reduces social security spending. But Professor Fiorella Padoa Schioppa, one of Italy's leading economists, says that one of the curses of the Italian social security system is that it is too focused on providing large pensions to retired family members who then pass the money on to children and grandchildren in lieu of state benefits for housing, unemployment and the like. "The family unit acts as a kind of clearing mechanism for retirement income paid to the older generation," she says. "This turns younger and more politically active people into actors in the pensions debate, making reform more difficult."

The danger now would be if the Prodi administration, believing it had done enough to get into Emu, were to go on hailing the reform as historic and not push for further measures. "The government would do well to insist that what it has accomplished is just one first step, and immediately confirm that it is determined to take new steps next year," says Prof Ferrera.

The ink may not yet be dry on Italy's third pensions reform package. But it already needs a fourth.

· LETTERS TO THE EDITOR ·

Number One Southwark Bridge, London SE1 9HL

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Serious contender with no need for subsidy

From Dr. Michael C. McDermott.

Sir, Your columns have recently reported allegations of gazumping by regional development agencies in order to secure inward investment in the UK, referring specifically to actual and proposed investments by companies from South Korea and Taiwan.

In this discussion there is a danger of overlooking the key point. These companies in many cases are not nearly as footloose or internationally mobile as our inward investment policy teams would have us believe. This is especially true of companies investing in the UK in order to serve large industrial customers (for example, Chung Hwa).

However, even in cases where European consumers represent the market for plant output, these companies often regard the UK as the sole serious contender for proposed large greenfield investments. For example, the likelihood of Hyundai Motors selecting a European Union country other than the UK for such an investment is remote.

Rather than regard the UK's success in attracting inward investment with unquestioning optimism regarding the competitiveness of the economy, it is time for a much more critical appraisal.

I would suggest that in the first instance the first step should be the establishment of a national "premier league" comprising the most able from the regional development bodies.

Once it undertakes the analysis required to establish a development strategy that looks beyond simply creating employment opportunities, it may in the process realise that large amounts of public funds are being given to investing companies that in all likelihood would invest in the UK anyway.

Michael C. McDermott,
Strathclyde International Business Unit,
department of marketing,
University of Strathclyde,
Glasgow, UK

When crusaders consort with the enemy

From Mr Cosmo Lush.

Sir, I applaud your coverage of the evolving relationship between multinational corporations and public pressure groups ("Facing up to a challenging opposition", October 31). It is a symbol of the seriousness with which this issue is now approached that your newspaper should include it in its analysis of the global company.

As you rightly point out, the growth in influence of public pressure on corporate activities is an inevitable outcome of western companies' expansion into sensitive areas of the world and the freedom technology has given us to scrutinise this progress back home.

It is also the result of the increasing loyalty we consumers have towards our favourite brands. Whether corporate in the case of Shell, or consumer-oriented such as Nike, the brand is the perfect target of the campaigner, who seeks the most potent access route to the minds of his or her public.

A closer relationship between companies and pressure groups is inevitable, and both sides are currently engaged in establishing the nature of that relationship. Your article made clear how difficult this can be for companies, and it should be added that it is an equally sensitive process for the pressure groups in the other corner. Private dinners between chief executives and campaign directors take place with increasing frequency, but the extent to which the results of such dialogue are accepted by the foot soldiers on both sides has not yet been established.

Just as companies rely on the support of their shareholders, pressure groups need the continued loyalty of their public if they are to survive. Co-operating with the enemy is doubtless good for social and environmental welfare as well as for business, but the extent to which pressure group supporters will accept the rebranding of their crusader knights is not yet known.

Pressure groups play a vital role in society. Let's hope they are not eclipsed by their own success in effecting change.

Cosmo Lush,
associate director,
public affairs,
Burston-Marsteller,
24-28 Bloomsbury Way,
London WC1A 2PX, UK

No more theories, let's get on with it

From Mr Duncan Johns.

Sir, Hardly a day passes without a learned analysis in your columns on the benefits and risks of European economic and monetary union.

I am sceptical of the views of banking economists and financial scribblers who have a vested interest in speculation in the currency markets. The central issue is whether Emu will promote increasing prosperity for the people of the European Union.

I propose the following test:

1. Will it facilitate the flow of capital to the areas of greatest demand?

2. Will it allow the European regions to better utilise their indigenous potentials, be they industrial, agricultural or the provision of services?

3. Will it free up the flow of labour and the sharing of knowledge?

4. Will it encourage investment in new technologies for product, process and communication?

As the answer to all four questions is clearly "yes", let's stop theorising and get on with it.

Duncan Johns,
206 Green Villa,
Daemyung Dong,
Nam Ku,
Taegu,
South Korea

Accounts cannot fudge payments to lessors

From Mr John Ralfe.

Sir, Lex comments (October 31) on the possibility that new UK accounting standards will require payment commitments under leases to be capitalised on the balance sheet of lessees. These comments are well made. The unconditional commitment to make payments to a lessor is a liability, and is exactly the same as the commitment to make payments to a bank under a loan. Why should companies be able to fudge this and not show the liability on the face of the balance sheet?

Getting leases right is not a trivial matter. For companies that lease a large part of their assets, especially retailers leasing stores, the impact on reported return on capital and financial risk is huge. Shareholders and creditors may, or may not, currently understand the impact of lease obligations and reflect them in their decision-making and relative pricing. However, they should be given the opportunity to do transparently, and without having to make guesses or assumptions.

My criticism of the accounting standards bodies is not that they are trying to do too much, but that their approach is too timid. The UK's Accounting Standards Board, in particular, has been silent on the subject for at least a year.

John Ralfe,
24 Devonshire Road,
West Bridgford,
Nottingham NG2 6EU, UK

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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A Latin lesson from Asia

The financial tornado that began in Asia has finally wound up in Latin America. In fact, Latin American economies, for better and for worse, look very different from Asia's – but their reaction to the turmoil on Wall Street emphasises some continuing fragilities.

The top of the investor hit-list was Brazil. Its shares fell by close to a third and the interest margins on its bonds widened by almost 4¼ percentage points from early last month. Other countries suffered too, particularly Argentina, with a currency board similar to Hong Kong's.

Brazil's economic position bears most resemblance to the troubled economies of Asia: it has an overvalued dollar-linked exchange rate and a current account deficit running at 4.5 per cent of gross domestic product. Worse, it is running a budget deficit of 5 per cent of GDP, contributing to a government financing requirement this year of more than $50bn.

Yet the troubled Asian economies are at the end of a long, expansionary economic cycle. Latin America's main economies are either in the early stage of an expansion (Mexico and Argentina) or have enjoyed only moderate economic growth for several years (Brazil). Asset price inflation has been insignificant and bank credit growth has been modest, since bankers, governments and others are still heeding the salutary lessons of Mexico's 1994-95 financial crisis.

In Brazil, it is clear that the fiscal deficit is unsustainable in the medium-term. However, with some $60bn of currency reserves in mid-October and the potential for some $80bn of privatisation revenues in the three years to 1999, there is a large cushion to suggest the current strains will not turn into an exchange rate crisis.

However, the market collapse has once again exposed Latin America's continued excessive dependence on foreign markets for capital. Behind this is a domestic savings rate that is insufficient to promote growth, and part of the explanation for that is weak public finances. In spite of the sharp improvements that have taken place over the past few years in controlling public spending, too many governments still resort to deficit financing in the good times, leaving themselves with no financial cushion in the bad. The nervousness in the Brazilian and Argentine capitals over the last week has been unnecessarily increased by excessive government spending.

Governments across the region have introduced changes, such as pension fund reforms, that in the long run should address low savings. But they can also send a powerful short-term message to the international markets that they mean business, by acting decisively to cut fiscal deficits. Legislators in Brazil and Argentina take note.

Gallic gridlock

Yesterday, the first full day of the latest French truckers' strike, brought two rays of hope. First, the main employers' organisation, the FNTR, which broke off negotiations last week, agreed to "the principle" of fresh talks. Second, the French authorities showed – for them – unusual robustness in clearing away some blockades on the German and Spanish borders.

Nonetheless this strike could develop into at least as bitter a battle as the similar stoppage of a year ago. The memory of that two-week strike is still fresh in people's minds and has forewarned many to the impact of a repeat. France's neighbours have been speedier this time to remind Paris of its responsibility to keep its highways open.

But if governments were forewarned, the protagonists have also forearmed. The striking truckers have been quicker to set up road blockades and quicker to block fuel depots in a way that could halt traffic on the roads that remain free. Among the employers, the larger companies seem readier for a confrontation that might have, for them, the side-benefit of driving some of their weaker brethren off the road.

France's central position in western Europe multiplies the effect of disruption on its roads. Road freight from Britain, Ireland, Spain and Portugal is virtually condemned to pass through France to get access to other European markets. Much road traffic from Italy to northern Europe passes through France's Alpine tunnels to avoid truck weight restrictions in Switzerland and Austria. Thus French road strikes can put a stranglehold on Europe's supposedly single market.

One of the market's great achievements was to blow away the cobwebs of routine border checks for trucks moving within the European Union. This, coupled with road haulage liberalisation, has improved the productivity, competitiveness and regularity of haulage services within the EU. Certainly this has exacerbated the plight of the French truckers now on strike, but it has produced a revolution in logistics whereby many EU manufacturers now rely on just-in-time deliveries for their raw materials and finished goods. It is these delicately balanced efficiencies that are put at risk by recurrent trouble on French roads.

The French authorities must now put their greater responsibilities to their European partners in the balance and realise that they outweigh any domestic inconvenience in dismantling the road blocks. Users of French roads deserve a minimum service of obstruction-free highways, and the Jospin government must act to guarantee that.

Rough justice

Last week, the International Monetary Fund delayed paying out the latest $700m tranche of its three-year standby credit for Russia, in spite of praising the government's overall economic performance.

It was a rough reminder of the strict conditionality attached to the $10bn loan, especially coming on top of the turbulence which saw wild fluctuations on the Moscow stock exchange. But the Russian government had failed to collect its intended tax revenues, and thus to curb its budgetary spending arrears. It is paying the price.

According to Anatoly Chubais, the deputy premier, the government managed to collect only 52 per cent of the taxes it had budgeted for the first nine months of the year, in spite of a strenuous campaign to do so.

It is certainly easier said than done. According to most calculations, if Russian companies were compelled to pay their legal taxes, they would all be bankrupt. Their tax burden thus becomes a matter of arbitrary negotiation with the tax man, and the amount they pay a reflection of their political connections. It is a thoroughly unsatisfactory system.

A similar picture emerges from this week's Transition Report for the whole of central and eastern Europe, published by the European Bank for Reconstruction and Development. Gradually improving economic performance is undermined by the continuing lack of predictable government policies and reliable legal institutions. Investors face a terrifying combination: unpredictable government regulation, and depressingly predictable levels of corruption.

Some would argue that the IMF is wrong to be so doctrinaire on tax collection in Russia. They say the government never has collected the taxes it is owed, and never will succeed in doing so. It is attempting to rewrite the tax code to be more realistic and enforceable, but is facing stern resistance from an unholy alliance of communists, bankers, and the media.

But in spite of the negative message it sends to the markets, the IMF is right to be tough. It is essential that Russia, along with its former neighbours and vassals, establish the basic requirements of a law-based state. Until it does so, it will only attract the most speculative short-term investors, who are prepared to take the risk of fickle officialdom.

The lesson of the EBRD is clear: those eastern European countries that have moved fastest to create the legal basis for a market economy, and reduce the arbitrary interference of underpaid bureaucrats, have made most progress towards sustained economic growth.

Ready, aim, consolidate

Alexander Nicoll on the pressures that are forcing European governments to contemplate a more rational defence industry

Here is the nightmare of the British defence contractor: in 2010, the UK Ministry of Defence orders a weapons system that will bring substantial business for years to come. But the order does not go to EuroDefence, the conglomerate into which surviving European arms makers banded a few years ago.

Instead, it goes to Lockheed Martin, because the US company can deliver the project more cheaply. Since EuroDefence is not seen in Britain as British, there is no political reason for the government not to go to Lockheed – which in any case will place plenty of sub-contracting business in the UK.

At one stroke, the point and the pain of creating a European defence company would have been rendered worthless. An industry that in 1997 provided substantial employment and exports would have been destroyed – or so goes the nightmare, which is echoed in many other European capitals.

It is in their response to this fear that European companies differ when they seek solutions for what, all would agree, is a pressing problem: there are too many of them chasing too few orders, carrying too much cost and battling against ever-tougher competition. Some companies believe a pan-European solution must be found, and quickly. Others are not so sure.

John Weston, group managing director of British Aerospace, says: "The pressure we're facing is that we either solve these problems or we don't have an industry." Another British expert adds: "Compared with the US, we've hardly got to square one."

The US government, which has cut annual spending on procurement by 67 per cent in real terms since 1985, engineered a dramatic series of acquisitions. This has left just three companies – Boeing/McDonnell Douglas, Lockheed Martin and Raytheon – competing to run the biggest projects in the high-spending areas of aircraft manufacture, guided weapons and defence electronics.

Unlike their European competitors they have only one principal customer, the US Department of Defense. The US remains by far the world's biggest spender, even at the reduced post-cold war level. US companies can count on good domestic business to boost their export credentials and enable them to devote resources to developing future generations of defence equipment.

Europe, by contrast, sports a larger number of companies in need of big orders to keep them afloat. While there are joint programmes such as the £42bn Eurofighter project, there are no integrated European defence requirements. France, for instance, is buying the French Rafale instead of Eurofighter. European companies, which in France, Italy and Spain remain largely in the public sector, have mostly been focused on supplying their home defence ministries.

For most governments making procurement decisions, domestic politics and the need to safeguard jobs have taken precedence over value for money. Such political imperatives will not lessen, but the pie that European companies are competing for is much smaller than America's and is likely to contract still further.

"European markets are narrow, segregated and shrinking," says François Heisbourg, senior vice-president of Matra-Defense, part of France's Lagardère group. "If the Europeans do not restructure their own industry, the Americans will be delighted to do it for them."

Nato's European member governments spent $47bn (£28bn) on procurement, research and development last year, compared with $77bn spent by the US. But while Britain and Germany have nearly halved defence spending as a proportion of gross domestic product in the past decade, cuts in France and Italy have been more marginal. But all countries are under intense pressure to contain spending as they approach economic and monetary union.

Given such pressures, it is not surprising that efforts to rationalise the European defence industry are gathering pace. The past few months have seen a spate of corporate deals that edge Europe towards a solution, though they fall short of the bold strokes some believe are needed.

Among the recent deals, BAe and Daimler-Benz Aerospace (Dasa) bought the defence electronics interests of Germany's Siemens. Matra BAe Dynamics, BAe's missiles joint venture with Lagardère, took a 30 per cent interest in Dasa's missiles subsidiary. France's Thomson is to be reorganised by the French government under the leadership of Alcatel Alsthom, bringing in Dassault Electronique and parts of Aerospatiale. GEC Marconi, defence arm of the UK General Electric Company, is pooling some of its defence electronics and missiles businesses in a joint venture with Alenia, the defence arm of Italy's Finmeccanica.

These transactions, as well as a range of joint ventures and consortium bids on individual armaments programmes, underline the fact that Europe's defence companies are developing into an interlocking web.

Mr Weston of BAe wants to see the emergence of a single European company with the capital base and skills to be a "prime contractor" running big projects in civil and military aircraft, guided weapons, satellites, helicopters, and electronic systems integration. While the industry could reach this end eventually through its present step-by-step formation of joint ventures, says Mr Weston, the shareholding structure would get too complex and the process would take too long.

Although companies work together on collaborative programmes, he says, "we are investing in our technical skills and our people several times over. We could produce savings for both our shareholders and our customers."

The most obvious obstacle to the BAe vision is France. Until recently, the French had shown little enthusiasm for reorganisation of the Airbus consortium – which could theoretically serve as the base for a European aerospace and defence conglomerate – into an integrated corporate group. France's Aerospatiale is a partner in Airbus with BAe, Dasa and Casa of Spain, but is not part of the Eurofighter consortium. However, the French government has now indicated that it is prepared to support Airbus taking control of all its civil aircraft factories, although differences remain as to who should own those facilities.

Advisers to the French government believe the attitude in Paris is beginning to change as it recognises the need to cut defence spending and to cease absorbing losses at some of its defence companies. "There has been a dramatic change in the mindset," says one adviser, who sees the decision to reorganise Thomson, even though it appeared to put French interests before all else, as the first sign of a more realistic approach.

Such views would be underpinned if the new Thomson moved quickly to conclude international alliances with other European companies such as GEC and Dasa, as Alain Richard, French defence minister, has said it would be in a good position to do.

GEC, which has a long-standing relationship with Alcatel in particular, was quick last month to welcome France's consolidation plans. It pledged to work with Thomson and its allies in any future Europe-wide restructuring. George Simpson, GEC's managing director, said the French plan "created the scope for European restructuring to happen".

But that approach may not develop into an embrace of the super-company envisaged by BAe. Some people believe that a pan-European approach will not be the best way for companies to keep their most important customers.

"If you just follow a European strategy right now, you're going to get it wrong," says Bruce Macdonald, director of European capital goods research at NatWest Markets. "It will be like rearranging the deckchairs on the Titanic."

Those who favour a more global approach argue that a pan-European solution will take too long given inevitable resistance in some countries to the privatisations and plant closures this would entail. "How do you merge a public sector and a private sector company?" asks Digby Waller, defence economist at the International Institute for Strategic Studies.

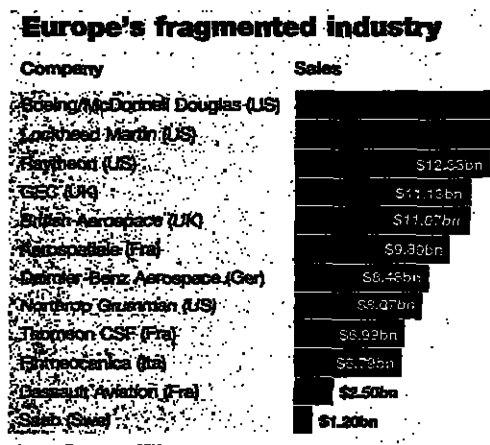
The difference between this approach and the BAe vision is probably more in emphasis than in substance. All defence companies – including BAe, which is involved in the US Joint Strike Fighter programme – want to penetrate the US market more deeply. "We must not create a fortress Europe," says Mr Weston. "We should be collaborating more across the Atlantic, not less."

Companies that have already stripped out costs and compete strongly for US business do not want to be delayed or handicapped by less-efficient European partners. They are all the more wary because they see the real cutting edge of the industry being driven by US development of the next generation of advanced technology weapons.

In practice, European governments will have a strong role to play in forging the future shape of their defence industry. As the main customers, they are in a position to drive cost savings through large programmes such as Eurofighter and to co-ordinate their procurement requirements more closely if they wish.

Sir Robert Walmsley, Britain's chief of defence procurement, expresses frustration at the delay in European defence restructuring. The first step is private ownership, he says in a remark clearly aimed at Paris and Rome: "If we can just stop wringing our hands, and take action."

Europe's fragmented industry



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· OBSERVER ·

"Spud" peeled

■ Jenny Shipley doesn't seem to need any tutoring when it comes to mastering the dark political arts. In a classic tale of conspiratorial plotting while the boss was away flying New Zealand's flag, Shipley used her gutsy determination and swimmer's shoulders to elbow prime minister Jim "Spud" Bolger out of the way.

With Bolger on the other side of the world, 45-year old Shipley summoned all the skills she's learned in a 10-year political career to have a go at becoming the country's first woman prime minister.

Although she'd been quietly preparing a leadership challenge for months, the crunch came when the National Party right-winger marched at midday on Monday into Bolger's office. She left Bolger – busy hosting US deputy secretary of state Strobe Talbott – almost speechless and with little room for manoeuvre.

The daughter of a Presbyterian minister who hails from the South Island town of Blenheim, Shipley is an articulate and forceful speaker. But she's remembered mostly as the minister responsible for welfare and health service reforms, many of which remain unpopular. Protestors once burned her effigy on the streets.

But Bolger's time was widely seen to have passed. Most voters might agree with a Shakespeare-misquoting Rod Alley from Wellington's Victoria University. As he put it: "Better it were done quickly if it were done at all."

Lordy be

■ Too early to tell if the "Curse of the House of Guinness" has struck again but aristocratic entrepreneur Lord Moyne's curious Scandinavian adventures seem to have hit an icy patch.

Moyne, perhaps better known as one-time journalist, merchant banker and would-be politician Jonathan Guinness, is rarely reluctant to talk about an action-packed life in a family which has had its fair share of tragedy and catastrophe. Various members of the brewing dynasty have met with a sudden end, embracing everything from road accidents to assassination.

But, this time, the eldest son of socialite Lady Diana Mitford and stepson of British fascist leader Sir Oswald Mosley, is maintaining a discreet silence about the alleged transfer of funds out of Swedish investment company Trustor.

Moyne, an energetic 67 who's said to smoke once a year – on no smoking day – was hardly known in Sweden until he recently bought a controlling stake in Trustor; then he made a play for Swedish sporting goods outfit Amer but the plan came unstuck in a cloud of controversy.

Having sold a Gainsborough portrait a few years back because he was "pushed" for money, Moyne once said he wished he had the financial acumen of his Guinness great-grandfather. Since arriving in Sweden, however, he's been leaning on investment adviser Peter Mattsson and London lawyer Lindsay Smallbone. With the Stockholm authorities grumbling, looks like Guinness isn't going down too well in Stockholm.

Vlad's the lad

■ There's a none-too-subtle campaign under way to spruce up the image of Vladimiro Montesinos, Peruvian president Alberto Fujimori's rarely seen chief security adviser.

Montesinos has just received extravagant public praise from the head of the armed forces for his outstanding role in planning April's daring hostage rescue from the Japanese embassy. Even better, he's also been credited by two ministers with masterminding a huge marijuana haul – an intriguing turn of events given recent allegations against him of aiding and abetting drugs traffickers. And in an unprecedented appearance at a Lima cocktail party, he found journalists asking him for his telephone number. He responded, worryingly: "Don't worry. I know where to find you."

A close Montesinos crony says there's a sound enough reason behind the radical departure: "Vladi" wants to run for the presidency in 2000.

Wave goodbye

■ Say farewell to the Mexican wave. The jack-in-a-box orchestrated celebration so popular during great sporting occasions is fast going the way of the football rattle.

The wave, of course, was hardly Mexican but got its name from the 1986 World Cup finals in Mexico. It was first used in 1981 after being dreamed up by a band director at the University of Washington for use during American football matches.

Now the death-blow has been delivered by Brad McDavid, new band leader at Washington, who says the wave is being dropped. In any case, successors are already emerging. Fans at Florida State University are already practising the "tomahawk chop". Sounds brave.

The Financial Times

100 years ago

Latin Union Silver Coins
The five countries of the Latin Union – France, Italy, Belgium., Switzerland and Greece – have agreed to increase the amount of the small silver coinage on a scale of one franc per head of population, including the colonies. The agreement provides that the new money shall be made by melting down coins of the value of five francs, of which the supply is in excess of the demand. Exception to this rule is, however, made in the case of France, which will make 127,000,000 francs out of five franc pieces and 3,000,000 francs out of bar silver.

50 years ago

Budget Next Week
The Government has now definitely fixed Budget day for next week. It is not yet certain whether it will be Tuesday the 11th, in accordance with tradition, or Wednesday, 12th. The reason why the date has been put forward lies partly in the heavy buying that has been going on in anticipation of the increase in the Purchase Tax. Another reason is that in the following week the Royal Wedding would cut into the three-days debate. It is unusual to give such short notice of Budget day, but it was foreshadowed in the King's speech.

FINANCIAL TIMES
Tuesday November 4 1997

Thai premier to resign over financial crisis

By Ted Bardacke in Bangkok

Chavalit Yongchaiyudh, Thailand's embattled prime minister, announced yesterday that he would resign this week after 11 months in power.

Under Gen Chavalit's premiership Thailand slipped into a financial crisis that spread to other south-east Asian economies and beyond.

"I believe that it is about time for me allow other people a chance to rule," Gen Chavalit said. He would seek an audience with King Bhumibol Adulyadej on Thursday to inform him of his decision.

Leaders of the general's six-party coalition said they would today approach Prem Tinsulanonda, former prime minister and royal adviser, to take over to ensure the government remained intact.

If the elder statesman declines, as expected, the job may fall to another former PM, Chatichai Choohavan, leader of the Chat Pattana party, the second coalition party.

The opposition Democrat party may also try to put together a coalition government. But as elections must be held by next May, few politicians want to assume responsibility for pushing though austerity measures. Ten days ago Gen Chavalit, responding to a week of street demonstrations and the resignation of his second finance minister, announced a cabinet reshuffle which brought in a number of non-politicians to serve as caretakers until new elections.

Financial markets failed to respond positively to the cabinet changes and calls resumed for Gen Chavalit to step down, this time from within his own coalition. Gen Chavalit, a retired army commander, met senior generals yesterday, who reportedly agreed with his decision to step aside.

Earlier yesterday Hubert Neiss, International Monetary Fund director for Asia-Pacific, met Gen Chavalit, Gen Chatichai and Chuan Leekpai, Democrat party leader.

Mr Neiss, who led the negotiations which resulted in the IMF's $17.2bn rescue package for Thailand, urged them all to implement financial sector reforms quickly, saying it was a major factor in restoring investor confidence, the government said.

Gen Chavalit said he would remain in office tomorrow to preside over a special session of parliament dedicated to enacting six laws related to restructuring the financial system.

This week the IMF is conducting its first review of Thailand's economic performance since the rescue package was unveiled. Satisfactory progress is required for Bangkok to continue receiving disbursements from the IMF.

A new government is likely to ask the IMF to recalculate a number of performance targets – which were based on the baht stabilising at about Bt32 to the US dollar – now the baht has slipped below Bt40.

South-east Asian financial markets rallied yesterday as Indonesia's IMF-backed recovery programme helped to bolster confidence in the region's economies. Intervention by Singapore and Japan in support of the rupiah lifted the Indonesian currency 9 per cent against the US dollar. That helped lift the Malaysian ringgit, the Philippines peso and the Singapore dollar. Stock markets were also lifted.

Report, Page 6; Currencies, Page 29; World stocks, Page 40

Levi to cut manufacturing jobs by a third in N America

By Richard Waters in New York

Levi Strauss, the world's biggest apparel maker, is shedding one in three of its manufacturing workers in North America, though it denied claims that it was shifting jobs to low-cost sites elsewhere.

The move, involving the closure of 11 plants employing 6,395 people, marks an attempt to cut the privately held company's reliance on blue jeans, the product on which it was founded in 1850. Fierce competition from low-cost competitors, most of them selling jeans made in Asia, has forced Levi to reconsider the position of its brand and back away from pursuing higher sales for their own sake, company executives said.

The sackings will dent the reputation of a company long known for its generous treatment of workers. To soften the blow, Levi announced a range of benefits which it said were better than other American company had offered in similar circumstances.

Robert Haas, chairman and chief executive, said Levi did not expect to cut its workforce overseas, which is around 13,500. He said the cuts in the US and Canada were not an attempt to tilt Levi's production base towards lower-cost countries, but a move to reduce overcapacity in North America.

Mr Haas, a great-great-grand-nephew of the company's founder, added that Levi "still believed there is value to having a substantial manufacturing base" in every region where it sells its clothes. This gave it greater flexibility to adjust production to local demand, and to pursue mass customisation by making garments to individual orders.

The company would also devote more attention to other garments, such as tops, and its other clothing brands, including Dockers and Slates.

The move was seen by industry observers as a way of fighting back against lower-cost competitors by moving the company's base of production. "Most of the apparel companies are shifting their sourcing overseas. This should help [Levi] over time," said Dana Telsey, an industry analyst at Bear Stearns.

Levi announced plans to cut 1,000 white-collar workers earlier this year, and its board has been discussing the need to cut manufacturing jobs for the past two years, said Mr Haas. "We agonise over issues like this much longer than other companies would."

Levi said it would pay workers eight months' notice. Other benefits include a $6,000 allowance for items such as relocation and retraining and a $500 bonus for finding a new job.

The company also said the workers who were sacked would still qualify for a bonus scheme in 2002 if the group hit certain targets.

Sanyo Securities files for bankruptcy

Continued from Page 1

Nomura Securities. Last month three of Sanyo's main banks – Bank of Tokyo-Mitsubishi, Nippon Credit Bank and Daiwa Bank – provided Y9bn of emergency support. The ministry of finance said it had asked the same banks to help Sanyo with operating liquidity while it restructures.

The most likely outcome is for Sanyo to be absorbed by another broker, but so far most potential suitors have been put off by its massive bad debts and unprofitable operations. Last month it reported a first-half pre-tax loss of Y4.4bn.

Sanyo's shares have fallen from a peak of Y3,450 in April 1987 to Y84 on Friday.

Swedish police investigate Trustor assets

By Greg McIvor in Stockholm

Swedish police have launched an investigation into the alleged disappearance of SKr600m-SKr700m ($414m-$483m) in assets from Trustor, the quoted Swedish investment company in which Lord Moyne – formerly Jonathan Guinness – of the Irish beverages dynasty, acquired a controlling stake last June.

Prosecution authorities in Stockholm expect this week to request British police assistance in their attempt to trace funds believed to have been transferred from Trustor's Swedish bank accounts to a Trustor bank account in London shortly after Lord Moyne gained control.

Bo Skarinder, state prosecutor in charge of the case, said yesterday that the SKr600m-SKr700m of cash which was transferred appeared subsequently to have disappeared from Trustor's London account.

The prosecutor, called in by police last week, said that if the sum had been transferred out of the control of Trustor, the transaction would be an apparent breach of Swedish law protecting the rights of other shareholders.

Trustor shares remained suspended by the Stockholm stock exchange yesterday, having been stopped on Friday when the bourse was first alerted to the police inquiry. Hans Edenhammar, the exchange's head of market surveillance, described the allegations as "serious", adding that the bourse had received no explanation from Trustor for the transactions.

At the time of the Trustor acquisition in June, Lord Moyne said he planned to use the company as a vehicle for investment in the Nordic region. Trustor had been expected to make a statement to the market yesterday but Mr Edenhammar said the company's auditor, Coopers & Lybrand, had been unable to supply verification, as required by the exchange.

Mr Edenhammar said the bourse had received no explanation from Trustor for the transactions in question. He said the shares would remain suspended until Trustor made a statement, backed by the auditor's verification.

Neither Lord Moyne nor his business associate Lindsay Smallbone, Trustor's managing director, were available for comment yesterday.

Patrik Tigerschiöld, head of Skandinaviska Enskilda Banken Funds, the largest minority shareholder in Trustor, said: "We are very concerned and we will have to see what action we can take."

Observer, Page 15

THE LEX COLUMN

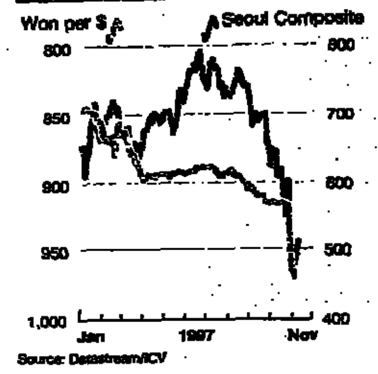
Have no truck

That unrest among France's *routiers* is becoming almost an annual event is not terribly surprising: every time the truck drivers cause trouble they get more or less what they ask for. Perhaps more remarkable still, though, is the extraordinary tolerance of French public opinion towards truck drivers repeatedly bringing the country to a halt – which itself partly explains why the government and employers are unwilling to take a harder line. Yes, the drivers look miserably paid. But the harsh fact is that this merely reflects the market price for labour in an oversupplied profession. Allowing the *routiers* to prop it up by holding the country to ransom every year does not seem an ideal solution.

Nobody quite knows, but this time the odds look against a long dispute. The employers appear willing to cough up, and the government has offered tax breaks to lubricate a deal. In a narrow sense, such an amicable compromise might look good news. With luck, France could get back to work without suffering the economic damage caused by last year's two-week episode, which probably knocked a quarter of a percentage point off gross domestic product.

That in itself gives the government every incentive to keep the drivers sweet. But it should beware. For one thing, success would give them every reason to try their luck another time. More importantly, it would send a powerful signal to other French employee groups to give trouble-making a go.

FTSE Eurotop 300 index
926.0 (+19.9)



Korea

All the fretting about south Asia has risked disguising a larger problem: South Korea. As a $500bn-a-year economy, it is as big as Indonesia, Thailand and Malaysia combined. But because more closed to foreigners, it has had less attention. With $120bn of foreign debt, though, it is too big to be ignored. And there are increasing signs of the pips starting to squeak: a string of corporate bankruptcies, downgrading of the sovereign debt, as well as that of four of the six largest banks, and a slump in the stock and currency markets.

The economy has serious structural problems: significant industrial overcapacity and a fragile banking sector are probably the most grave. On top of these, it now faces a debt crisis. High growth has in the past allowed companies to foot hefty interest payments. But with domestic and export demand set to slow, and key export prices falling, meeting payments will become increasingly difficult. Add to this significant unhedged foreign borrowing, and the problems start to look severe.

It is difficult to be optimistic. The economy is crying out for financial deregulation, which would introduce much-needed foreign capital. But the government is unwilling to accept the gravity of its plight, hence the tepid reform agenda. And next month's presidential elections are unlikely to mark a change for the better.

Right now, it looks more likely to attract the attention of the International Monetary Fund than the investment community.

Hilton/ITT

At first sight, managerial bravado might seem to be driving corporate strategy at Hilton. After Wall Street's enthusiastic response two weeks ago to Starwood Lodging's trumping of its $70 per share offer, Hilton appeared to walk away from ITT. Far from it: The hotel group's latest offer, $2 short of Starwood's $82 per share, challenges the market view that it could not afford a bidding war with its highly tax-efficient rival.

Hilton's return to the fray is in fact nicely judged. Slightly underbidding Starwood's mainly paper offer – in a manner reminiscent of GTE's tactics vis-a-vis WorldCom – looks clever. Starwood cannot raise its offer without betraying lack of confidence in the value of its own paper. Moreover, Starwood's paltry $15 cash is likely to be available only after a lengthy wrangle over the incorporation of ITT's casino businesses into its tax-free trust. By contrast, Hilton's offer is essentially risk-free, with most coming in cash and the rest in the form of shares whose value is virtually guaranteed.

Although Starwood's highly rated paper has recently held up well, unlike WorldCom's, it looks as if the current flight to credit quality will ultimately benefit the investment-grade Hilton. A 40-basis-point drop in its borrowing rate has largely justified its raised bid. Starwood's shares will also suffer a regulatory discount if, as is likely, Capitol Hill examines the aggressive use it is making of its tax-free trust status.

Offshoots

Putting together megaliths is all the rage but it is unlikely that they will ever have all the cards, when smaller businesses are nimbler and more entrepreneurial. So a thinking megalith will always be asking itself: what can I learn from my competitors' culture? Sometimes, it may even try setting up an entrepreneurial offshoot itself. Look at British Airways' plan to set up a "no-frills" airline or at the pharmaceutical companies' proliferating stakes in small biotechnology outfits. Boffins often benefit, the big companies have found, from a less suffocating culture and highly geared financial incentives.

Making this work, of course, is not as easy as it sounds. The classic error is to buy a livelier competitor and swamp it with big-company bureaucracy. Yet there is also the opposite risk: give an offshoot true freedom and the parent may become just a financial investor, adding little, if any, value. Conceivably, value may even be subtracted. Suppose, say, a BA low-cost offshoot skimped on maintenance. A crash could hardly avoid damaging the main brand.

But these worries should not be overstated. Usually, they will just be a matter of pitching controls sensibly. And the underlying logic – that businesses need to learn from their more fleet-footed competitors – is sound. There is no reason why big businesses cannot offer the freedom and incentives of a more entrepreneurial environment. Sometimes, they may have to.

Additional Lex comment on Emap, Page 26

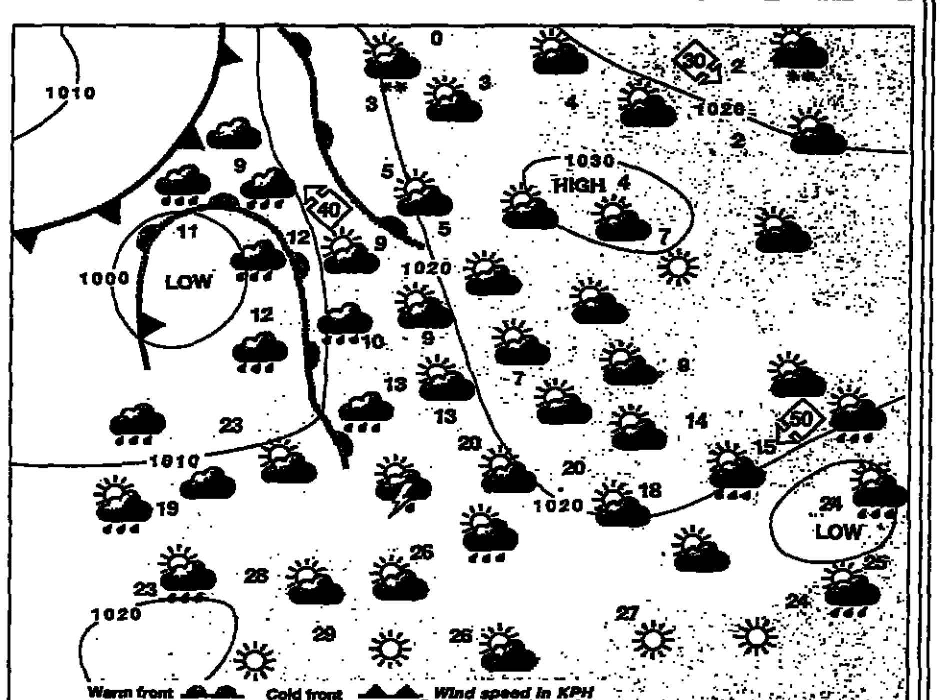
FT WEATHER GUIDE

Europe today

Spain and Portugal will be mainly cloudy with scattered showers, although eastern Spain should be dry and very warm. Western France will start the day dull with outbreaks of rain. This wet weather will extend north and east throughout the day, reaching eastern France and the western Alps this afternoon. The Balearics, Corsica and Sardinia will have showers but most of Italy and Greece will be fine and bright. Central and eastern Europe will also be mainly dry with some sunny spells after an early frost. However, Scandinavia and north-east Europe will be very cold and wintry with snow flurries.

Five-day forecast

North-east Europe will be wintry but will turn considerably milder by the weekend with some rain and strong winds. South-east Europe will be mostly fine and fairly warm but central and western Europe will become very unsettled with spells of wet and windy weather.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum/	Beijing	sun 13	Cardiff	rain 12	Frankfurt	cloudy 8	Madrid	cloudy 19	Rangoon	shower 30
	Celcius/	Belfast	rain 11	Casablanca	cloudy 24	Geneva	cloudy 13	Majorca	thunder 24	Reykjavik	shower 4
Abu Dhabi	sun 32	Belgrade	fair 9	Chicago	cloudy 7	Gibraltar	rain 22	Malta	thunder 23	Rio	cloudy 30
Accra	thunder 32	Berlin	fair 5	Cologne	fair 9	Glasgow	drizzle 11	Manchester	rain 10	Rome	cloudy 21
Algiers	shower 25	Bermuda	fair 27	Dakar	sun 30	Hamburg	fair 5	Manila	thunder 30	S. Frsco	sun 20
Amsterdam	cloudy 9	Bogota	thunder 18	Dallas	sun 24	Helsinki	fair 1	Melbourne	fair 21	Seoul	shower 15
Athens	fair 18	Bombay	shower 34	Delhi	sun 28	Hong Kong	sun 24	Mexico City	fair 23	Singapore	thunder 32
Atlanta	fair 12	Brussels	cloudy 10	Dubai	sun 33	Honolulu	sun 29	Miami	sun 27	Stockholm	sun 3
B. Aires	shower 18	Budapest	fair 7	Dublin	rain 11	Istanbul	cloudy 14	Milan	cloudy 14	Strasbourg	cloudy 9
B.ham	rain 12	C.hagen	fair 5	Dubrovnik	fair 17	Jakarta	thunder 33	Montreal	rain 7	Sydney	shower 20
Bangkok	thunder 32	Cairo	fair 28	Edinburgh	rain 11	Jersey	rain 14	Moscow	snow -1	Tangier	rain 23
Barcelona	fair 23	Caracas	thunder 31	Faro	drizzle 22	Johannesburg	sun 28	Munich	cloudy 8	Tel Aviv	cloudy 25
						Karachi	sun 34	Nairobi	thunder 26	Tokyo	fair 18
						Kuwait	shower 29	Naples	fair 22	Toronto	shower 6
						L. Angeles	sun 28	Nassau	fair 28	Vancouver	rain 12
						Las Palmas	fair 26	New York	fair 13	Venice	cloudy 14
						Lima	rain 23	Nice	shower 18	Vienna	cloudy 5
						Lisbon	rain 20	Nicosia	thunder 24	Warsaw	fair 4
						London	rain 13	Oslo	fair 8	Washington	fair 13
						Lux.bourg	cloudy 8	Paris	shower 12	Wellington	cloudy 15
						Lyon	shower 15	Perth	shower 28	Winnipeg	cloudy 2
						Madeira	fair 23	Prague	cloudy 3	Zurich	cloudy 8

FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday November 4 1997 Week 45

INSIDE

Daewoo pins its hopes on Poland

Many analysts questioned South Korean conglomerate Daewoo's judgment in buying Poland's FSO, one of the former Communist bloc's least efficient carmakers. The company, which has car or commercial vehicle operations in Romania, Uzbekistan, Poland and the Czech Republic, believes FSO can become the hub of its operations in Eastern Europe. Page 23

Indonesia rides out rupiah crisis

Rumours of defaults and the impending collapse of Indonesian banks, conglomerates and property companies have abounded following a 30 per cent devaluation of the rupiah and a 40 per cent stock market slide. Yet there has been no collapse. The situation has been eased by the $37bn aid agreement with the International Monetary Fund, announced by Tunky Ariwibowo, trade minister (above). But the country's business culture is also playing a role. Page 24

Big wheat harvest boosts Bulgaria

A bigger than expected wheat harvest has boosted Bulgaria's struggling economy and revived hopes that regular exports can be resumed. Last year's poor harvest of only 1.8m tonnes triggered an economic crisis. Page 30

Global markets shake off October blues

After a turbulent October for stock markets, November has started in a much more positive fashion. Page 40

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 30

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Computer 2000	500.0	+	60.5
Glunz	61	+	6
Rhon-Klinikum	178.5	+	13.5
Schmalbach Lub	360	+	40
Thyssen	410.5	+	30.0
Falls			
Escada NV Pf	213.0	–	9.5
NEW YORK ($)			
Rises			
China Telecom	35½	+	3⅜
Coca Cola Fms	46⅝	+	3½
Templeton Rss	43⅜	+	3¼
Falls			
Fluor	37⅛	–	3⅜
Intl Ceramica	10	–	1¼
Scania AB	25	–	4¼
LONDON (Pence)			
Rises			
Orbis	69	+	13½
Superframe	16½	+	4½
Tepnel Life	82	+	13½
Falls			
Auto Precision	17½	–	10
Future Intgd	64½	–	10
IMS	84½	–	22
TORONTO (C$)			
Rises			
Boardwalk Eqs	37	+	3
CGI A	43.4	+	4.4
Dundee Bancp A	38.5	+	3.5
Gendis A	23	+	2
Falls			
E-L Fin	201	–	9
Plains Energy	13.0	–	0.9
PARIS (FFr)			
Rises			
Cardif SA	800	+	59
Gantois	980	+	66
High Co	170	+	19
Sadim	550	+	38
Falls			
Marocaine	87.0	–	9.3
Sleco	200.0	–	20.5
HONG KONG (HK$)			
Rises			
Beijing Ents	28.60	+	2.75
China Telecom	13.95	+	1.60
Guoco Group	19.6	+	2.7
HSBC Hld (S)	185.5	+	10.5
Hang Lung Dev	11.95	+	1.30
Hang Seng Bk	73.50	+	6.25
BANGKOK (Baht)			
Rises			
BEC World	222	+	18
Goodyear	200	+	16
Falls			
Fancy Wood	34.00	–	3.75
Pizza Co	140	–	15
Serm Suk	240	–	26
Thai President	182	–	18

Tokyo closed. New York and Toronto prices at 12:30.

Drinks merger set for Christmas

Guinness and GrandMet to pay bonus

By John Willman in London

The £22bn ($36.5bn) merger of Guinness and Grand Metropolitan to form the world's largest drinks business looks set to be over by Christmas – with a seasonal bonus in the form of an extra £400m for shareholders.

Merger documents sent to shareholders yesterday said the proposed capital repayment of 60p a share would be increased to 70p. This raises the cost for Diageo, the name announced last week for the new group, from £2.4bn to £2.8bn.

The documents also give details of the timetable for completing the merger by December 17, with shareholder meetings on November 26. Although the US Federal Trade Commission has still to give approval, the two companies said they believed the regulator's decision would not throw the deal off course.

Shares in both companies rose, with Guinness up 14½p to 547½p and GrandMet rising 6½p to 544½. The merger, announced on May 12, involves a one-for-one share swap.

Diageo will have an accounting year ending on June 30, replacing December 31 for Guinness and September 30 for GrandMet. The merged group will publish interim results for the 12 months to December 31 which will include a full year's results for GrandMet.

Yesterday's announcement added that the interim dividend, payable in April, will be 12.5p per share. This will be 7.2p as a normal interim dividend, with 5.3p as a one-off additional amount to reflect the change of year end.

Cost-savings directly connected with the merger remain on course for £175m by the third year of trading. Total costs of achieving these savings will be some £375m, of which £300m will be cash and the rest write-downs.

Documents made available for inspection yesterday suggested Diageo has offered to divest itself of Dewar's scotch whisky worldwide to secure approval from the US regulator.

They include the agreement signed last month with Bernard Arnault, chairman of LVMH, the largest shareholder in both companies, in which he agreed to support the merger.

It has a waiver of compensation if Guinness disposes of Dewar's in the US where the two companies have a joint distribution agreement.

Diageo has already agreed to sell its European interests in Dewar's to win approval from the European Commission.

The merger documents say only that the two companies expect that discussions with the FTC will lead to a "mutually satisfactory agreement". However, the decision may not be known until shortly before, or even after, the Guinness extraordinary general meeting.

Both companies say any potential divestments will not delay the merger or require further shareholder approval and would not reduce pro forma profit before interest tax and exceptional items by more than 5 per cent of the amount for the year ending December 31 1996.

Public offering from Arig to raise up to $290m

By Vincent Boland in London

One of the biggest share offerings from the Gulf region is due to get under way tomorrow with the sale of just over half of the Arab Insurance Group (Arig), the region's biggest insurance group.

Arig, based in Bahrain, is going public through the sale of 50.5 per cent of the company by its controlling shareholders, the governments of Kuwait, United Arab Emirates and Libya.

National Bank of Kuwait and the National Commercial Bank of Saudi Arabia, which have been appointed global co-ordinators for the issue, said yesterday the initial public offering (IPO) was expected to raise up to $290m. Paribas, the investment bank, is lead-managing the 20 per cent of the issue being targeted at foreign investors.

The bulk of the offering is being sold to investors throughout the Arab world, and Arig's shares will be listed on the stock exchanges of Bahrain, Kuwait, Cairo and Muscat. This tranche is due to be completed on November 18.

The tranche aimed at foreign investors is in the form of global depository receipts which will be listed in London, making Arig the first company from the Gulf region to list its GDRs on a European exchange. The company and its advisers are due to meet prospective investors in London today following similar meetings last week in Paris and Edinburgh.

Arig's IPO was due to have been completed last month, before global stock markets were undermined by Hong Kong's currency crisis. It was delayed because of problems structuring the transaction across different Middle Eastern markets.

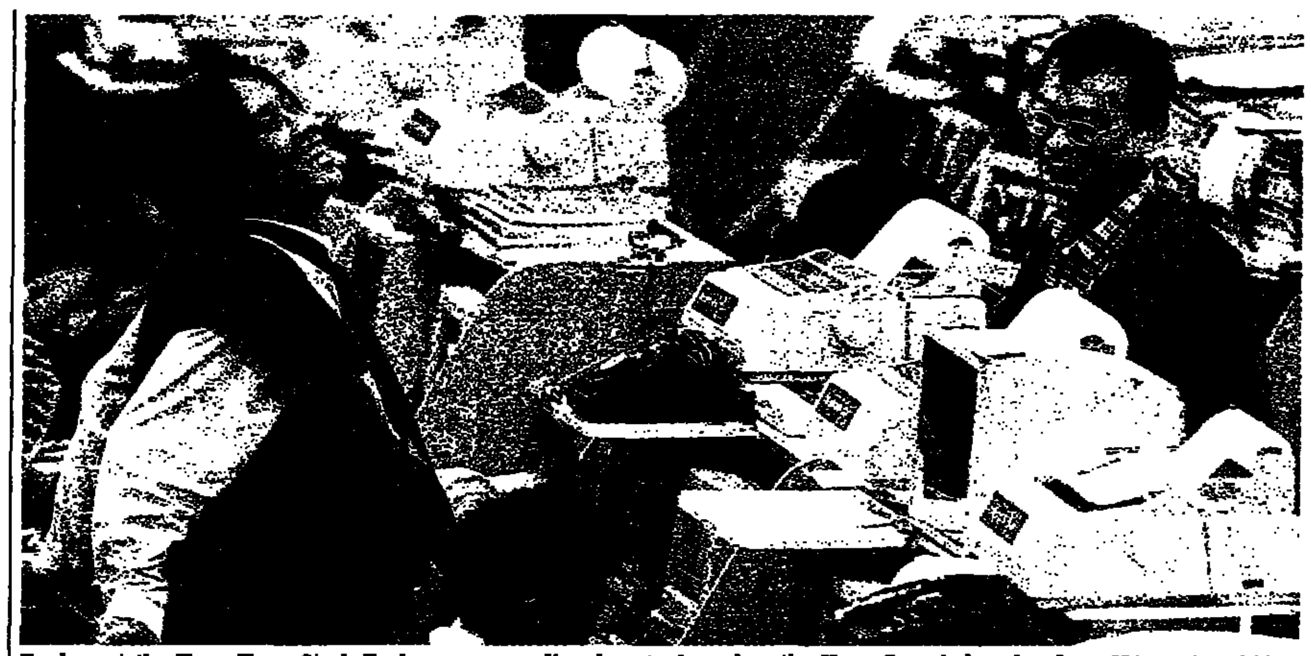
It follows a number of such issues by Egyptian, Lebanese and Moroccan companies in the past few months. Bankers said first indications of demand for the Arig issue were good, in spite of the uncertainty on stock markets.

The issue "will achieve the twin objectives of financing its expansion plans and reducing the governments' collective shareholdings from 100 per cent to 49.5 per cent", the global co-ordinators said. They added that the likely issue price would be $1.60, which made the shares "attractively priced" relative to other markets in the region.

When listed, Arig is expected to be the 20th biggest company in the Gulf by capitalisation. The selling shareholders – the ministries of finance of Kuwait and the UAE, and the Libyan central bank, each of which owns a third of Arig – are offloading nearly 182m shares, while one GDR is equivalent to 10 shares. When the IPO has been completed, they will each own 16.5 per cent of the company.

Arig was established in 1980 and has expanded rapidly to include insurance and reinsurance interests throughout the Middle East. Last year, it made profits of $42.4m on premiums written of $295m.

About a quarter of premium income was generated in its home region, with another quarter coming from its London subsidiary. Standard & Poor's, the credit rating agency, has assigned Arig an "A minus" rating on its claims-paying ability.



Traders at the Hong Kong Stock Exchange were relieved yesterday when the Hang Seng index closed up 631.33 at 11,255.11, completing a two-day advance of 8.5 per cent. Index heavyweight HSBC jumped HK$10.50 to HK$185.50. World stocks, Page 40 AP

Boeing to axe MD-80 and MD-90

By Michael Skapinker, Aerospace Correspondent

Boeing of the US yesterday said it would end production of two aircraft made by McDonnell Douglas, which it took over earlier this year. But it gave a partial reprieve to two other McDonnell Douglas products.

Boeing said the decision would result in a write-off of assets in the fourth quarter of this year. The charge, which analysts believe could be $1bn, follows Boeing's write-off of $1.6bn in the third quarter over difficulties in meeting a surge in airline orders.

Boeing promised the European Commission in July it would run the McDonnell Douglas civil aircraft division as a stand-alone entity – one of the conditions for approval by Brussels of the takeover. But Boeing said this would not prevent it from ending production of McDonnell Douglas aircraft if there was no market for them.

Boeing said yesterday that production of the MD-80 and MD-90 aircraft would end in mid-1999 when outstanding orders will have been fulfilled. Ron Woodard, head of Boeing's commercial aircraft division, said: "Our market assessment, including recent order history, indicates that there does not appear to be sufficient market demand to warrant extending production of those models beyond that point."

The MD-80, built to carry 155 passengers, entered service in 1980. The MD-90, of similar size, has been flying for less than three years. Mr Woodard said Boeing would continue to maintain and service the 1,200 MD-80 and MD-90 aircraft still flying.

Boeing said it would continue to produce the three-engined MD-11, which competes with Boeing's 777.

Mr Woodard said that, while Boeing would make both passenger and freight versions of the MD-11, he saw it primarily as a carrier of cargo. It would fit between the Boeing 767 and 747 freighters. Boeing, as expected, will continue developing the 100-seat MD-95 twin jet. But Mr Woodard said its future would depend on cutting manufacturing costs.

The 100-seater fits in with Boeing's product range, providing a smaller aircraft than the 737. The launch customer for the aircraft is AirTran, formerly ValuJet, which has ordered 50. Mr Woodard said production of these aircraft would go ahead and Boeing would then decide on the MD-95's long-term future.

He said: "Production beyond the launch order will depend on reducing the cost of producing the airplane. We'll be discussing this issue with our partners and suppliers."

Gazprom to add $3bn borrowing to bridge loan

By Robert Corzine in London and John Thornhill in Moscow

Gazprom, Russia's biggest company, is to sign a $3bn loan today its first big international borrowing since it agreed a $1.2bn bridge loan last summer.

The facility – like the earlier loan, arranged by Crédit Lyonnais and Dresdner Kleinwort Benson – is understood to be secured against revenues from Gazprom supply contracts with Gaz de France. The bridge loan is to be incorporated into it.

The capital-raising exercise was heavily oversubscribed, with about $5bn committed by the underwriters, indicating that the confusion surrounding Gazprom's borrowing plans earlier in the year has not affected its reputation among international lenders.

Bankers say having Citibank among the underwriters suggests US banks have not been deterred from doing business with Gazprom in spite of threats of US government retaliation against the company because of its plans to invest in Iran.

Gazprom appears determined to press ahead with a $2bn international deal to develop Iran's South Pars gas field. Following a meeting with the US ambassador to Moscow last month, Rem Vyakhirev, Gazprom's chairman, reasserted his company's right to participate in a "strictly commercial and extremely advantageous project".

He told Trud newspaper in Moscow: "We do not take part in political games and are only pursuing commercial goals. The development of the gas resources on the Gulf shelf has nothing to do with supporting international terrorism. It is impermissible to threaten Gazprom with sanctions."

Gazprom officials appear confident about the prospects of raising an additional $1bn in a convertible bond issue, underwritten by Goldman Sachs, the US investment bank.

"The Russian market has clearly taken into account this threat from Washington and considers it is nothing terrible," a Gazprom official said.

Gazprom's share price has risen recently, defying the Russian stock-market trend.

Bankers say Goldman Sachs fought fiercely to win the bond mandate and was unlikely to walk away from the deal unless the political pressure from Washington became extreme.

The bank sees the bond sale as a landmark debt issue that would establish its reputation in Moscow.

Gazprom is due to begin its international roadshow on November 17. European roadshows for the $3bn loan syndication are due to start in the middle of this month. The syndication is expected to close in mid-December.

The funds raised by Gazprom will mainly be used to build export capacity. But Mr Vyakhirev said Gazprom wanted to take part in the forthcoming privatisations of Russian oil companies, possibly including Rosneft, in which several foreign companies have expressed interest.

New Core may follow Haitai into bankruptcy

By John Burton in Seoul

New Core, a leading South Korean department store chain, is expected to file for bankruptcy protection today in the latest corporate collapse among the country's big conglomerates.

The likely decision by Korea's 25th biggest business group comes after it defaulted yesterday on loans of Won6.8bn ($73m). It follows the collapse of confectionery maker Haitai at the weekend.

New Core, which has debts amounting to 12 times equity, fell victim to a slowdown in consumer spending following an expansion in retail outlets.

The group was saved from bankruptcy two weeks ago through emergency loans from its main creditor bank, Korea First, but was unable to persuade the bank yesterday to lend more funds in an effort to avoid a credit crunch.

New Core, which operates a chain of department and discount stores, has also been losing key suppliers as it delayed payment on the delivery of goods. It recently cut prices by 20-40 per cent to generate sales, but this only aggravated its financial problems.

New Core Group, which has 18 units, has put all of its 31 retail outlets up for sale in an effort to raise capital. It has been unable to attract buyers from other department chains due to disagreements over price in a slumping property market resulting from asset sales as many conglomerates try to raise capital.

Analysts said the problems at New Core exposed the vulnerabilities of highly-leveraged conglomerates that are largely dependent on domestic sales.

Predictions that domestic consumption and industrial investments could remain sluggish next year could threaten bankruptcy for other business groups dependent on the domestic market.

New Core would be the sixth of Korea's 30 top conglomerates to go bankrupt this year as the economic slowdown makes it difficult for companies to service debt burdens.

Haitai, Korea's 24th largest business, requested court protection for its profitable confectionery, beverage, trading and retail units while it applied for court receivership for its loss-making electronics and industrial operations.

Lex, Page 18

Endesa shrugs off $3m fine

By Elizabeth Love in Santiago and Tom Burns in Madrid

Endesa, the Spanish power group, said yesterday it was determined to secure an amicable agreement with Enersis, Latin America's largest private utility, in spite of mounting controversy over its acquisition of a controlling stake in the Chilean electricity group.

A $3m fine levied on Endesa over the weekend by Chile's market regulator for alleged insider trading in its September pact with Enersis has been countered by the Spanish group with an additional purchase of Enersis shares on the New York stock exchange.

Endesa has disclosed the acquisition of Enersis ADRs, representing 3 per cent of the Chilean group and worth an estimated $134m. The move brings total Enersis equity owned by Endesa close to the legal limit of 32 per cent.

"We want to reinforce our position in Enersis and demonstrate our determination to be present in the company," Endesa said yesterday. "We still think it is possible to reach an agreement with the [Chilean] pension funds and establish a mutually beneficial partnership with Enersis."

Controversy has been fuelled by the pension funds which own the bulk of the common stock owned in Enersis. Their opposition to the alliance with Endesa prompted the resignation last month of José Yuraszeck, Enersis founder and general manager, who had forged the agreement.

Chile's securities and insurance commission fined Endesa executives for failing to disclose a disputed clause in its agreement with Enersis that allowed the Chilean company to buy back shares in its Argentine and Brazilian subsidiaries owned by investment companies controlled by Endesa.

Hilton lifts ITT bid to $9.4bn

By William Lewis in New York

The 10-month battle for ITT, the Sheraton hotel company, is set for a dramatic resolution at the company's annual meeting next week after Hilton Hotel yesterday unexpectedly raised its bid for the group from $8.3bn to $9.4bn.

The revised Hilton bid challenged a $9.8bn agreed offer by Starwood Lodging, the US property company.

Either deal would bring to an end both ITT's 77-year history as an independent company and Rand Araskog's 18-year reign as chairman and chief executive officer.

ITT owns, manages or franchises 424 hotels in 62 countries and owns the Caesars casino chain.

The victor in the battle for control of the company will become one of the world's largest hotel and gaming groups.

Hilton said it was raising the cash element of its offer to $80 per share for 55 per cent of ITT's shares. The move was an attempt to play on investors' concerns about the value of the stock component of Starwood's takeover offer.

Previously, the cash element of Hilton's offer had been $70 a share for 50 per cent of ITT's stock.

This in turn was up from an initial offer which valued ITT at $6.5bn tabled in January.

Starwood Lodging is offering $82 for each of ITT's shares, a combination of $67 in Starwood stock and $15 in cash.

The last two years have seen a growing trend for US takeovers to be part or fully funded by stock rather than cash.

However, recent turbulence in the US stock market is leading investors to reexamine the value of all or part-stock offers.

At a press conference, Steven Bollenbach, chief executive officer of Hilton, compared the two bids as "certainty versus uncertainty".

The second part of Hilton's offer would see it offer two shares of Hilton for each ITT share for the remaining 45 per cent of ITT.

In addition, shareholders would also receive one so-called contingent value preferred share for each ITT share held.

This is intended to guarantee that if the Hilton stock price fails to reach $40 within one year after the merger, ITT shareholders would receive an additional sum equivalent to the difference between the Hilton stock price and $40 per share up to a maximum of $12 per Hilton share.

Hilton yesterday attacked the structure of Starwood Lodging's offer and said that while it had a "purported value of $82 per ITT share, its actual value is far lower".

Starwood Lodging links two entities in an unusual so-called "paired" structure – a property owning real estate investment trust, or REIT, that pays no corporate income tax, plus an operating company that manages hotels owned by the REIT.

Stephen Bollenbach: 'certainty versus uncertainty' AP

Liver damage warning for new diabetes drug

By Tracy Corrigan in New York and Daniel Green in London

Two prominent drugs companies have warned doctors and patients of potential side-effects of a recently launched diabetes drug, troglitazone.

Warner-Lambert of the US, which has US marketing rights, has agreed to change the labelling of the drug following discussions with the US Food and Drug Administration. The new label warns of potential liver damage.

Warner-Lambert sells the drug under the trade name Rezulin.

A similar warning has been sent to UK doctors by Glaxo Wellcome, which has European marketing rights and calls the drug Romozin.

It has not yet been approved by regulators elsewhere in Europe, but Glaxo said the launches should go ahead as planned next year.

Warner-Lambert shares ended the morning down $3 3/16 at $139¾, having retraced some of their early losses. Glaxo shares rose 2p to close at £12.80.

Troglitazone was developed by Sankyo, the Japanese drugs company, which has marketing rights in many parts of the world.

According to the FDA, about 500,000 patients in the US have been treated with Rezulin since its launch in January; 35 reports of liver injury have been received. These ranged from elevated levels of enzymes to liver failure, leading to one liver transplant and one death. It is not known whether the drug was solely responsible.

The company and the FDA are recommending routine testing of patients taking the drug, and Glaxo is telling doctors to take into account the liver condition of patients when prescribing it.

Glaxo said that 700 patients were treated in the first two weeks after the drugs UK launch last month.

Stephen Mock, of Warner-Lambert, said letters had been sent to about 300,000 doctors and 9,000 pharmacists explaining the label changes.

He added that the company "does not expect a precautionary change in the labelling of the product to adversely impact its use in the marketplace".

Alex Zisson, pharmaceuticals analyst at Hambrecht & Quist, said that only between 2 and 3 per cent of patients may be affected. "The question is, does it become so burdensome to go in and take tests every few months that patients stop taking the drug," he said.

However, he added that the market may have overreacted because of the fall-out from the recent withdrawal of American Home Products' anti-obesity drug.

Lockheed set to offload units in $2.8bn GE deal

By Richard Waters in New York

Lockheed Martin and General Electric yesterday announced a $2.8bn agreement under which the US aerospace and defence group will shed some of its non-core businesses in return for GE's holding of preferred stock in the company.

The deal comes four years after GE accepted the preferred stock as part-payment for the $3bn sale of its own aerospace business to the company, then known as Martin Marietta. At the time, the securities, which are convertible into 29m ordinary shares in Lockheed Martin, were worth $1bn.

The gain from the sale is likely to be offset by restructuring charges at GE, which would use this as a chance to restructure its industrial businesses to "position them for the global competition in the next decade", said Jack Welch, chairman.

In return for this stake, GE said it would acquire Access Graphics, a Lockheed company that distributes workstations and other computer hardware, and Lockheed Martin Aerostructures, which makes thrust reversers for jet engines made by GE and Pratt & Whitney.

GE will also assume Lockheed's minority stake in Globalstar, a company set up to build and run a communications network based on a series of low-orbit satellites.

One side-effect of the deal will be to cut Lockheed's future reported profits, since it will have to use purchase accounting for its pending acquisition of Northrop Grumman, rather than the so-called "pooling of interests" method it had planned.

Securities and Exchange Commission guidelines prevent companies using this more favourable accounting method if they repurchase their shares around the time of an acquisition.

This will force Lockheed to recognise about $5bn of goodwill from the Northrop acquisition in its accounts – something it would not otherwise have done – resulting in a non-cash amortisation charge against profits of $150m a year.

AMERICAS NEWS DIGEST

Genentech appeal refused

The US Supreme Court has refused the appeal of a patent infringement suit by the California-based biotechnology group Genentech against the Danish pharmaceutical group Novo Nordisk over its human growth hormone product Protropin. The move closes the final chapter on a long-running legal battle between the two groups.

Human growth hormone, under the brand names Protropin and Nutropin, is of vital importance for Genentech, which is 66 per cent-owned by Roche. Last year, sales of the products accounted for $218m, or 37 per cent of Genentech's total revenues. Genentech claimed that Novo Nordisk's human growth product, Norditropin, used technology developed at Genentech.

Both products use recombinant DNA to produce a synthetic hormone that acts in a way similar to the natural human growth hormone. Human growth hormone is used to treat dwarfism and other growth problems. Genentech had sought to bar sales of Norditropin in the US.

The Court's decision, made without comment or dissent, paves the way for Novo Nordisk to build a strong market for its product in the US. *Victoria Griffith, Boston*

■ CANADA

Noranda to build C$720m plant

Noranda, the Canadian natural resources group, said that its board had approved the construction of a C$720m (US$511m) magnesium plant in Asbestos, Quebec.

Noranda said the facility, at an initial annual capacity of 58,000 tonnes, will be the largest greenfield magnesium plant in the world.

Construction is scheduled to begin in 1998, with commercial operations planned to start in 2000.

The plant will be operated by Magnola Metallurgy and its output will equal more than 18 per cent of current annual world consumption of magnesium.

Reuters, Montreal

■ BANKS

M&I to buy Advantage Bancorp

Marshall & Ilsley plans to acquire Advantage Bancorp of Kenosha, Wisconsin in a stock swap valued at about $219m, solidifying Marshall & Ilsley's top market share spot in Wisconsin, the two banks said.

Milwaukee-based Marshall & Ilsley will exchange 1.2 of its shares for each share of Advantage, valued at $1.1bn.

The deal is not expected to reduce earnings per share. Marshall & Ilsley, valued at $19bn, expects to cut $4.1m in expenses, or about 18 per cent of Advantage's total expenses, Marshall & Ilsley said. The bank plans to take an unspecified one-time restructuring charge when the deal closes, which is expected to be in the first quarter of 1998.

Reuters, Chicago

■ RATINGS

S&P revises Waste Management

Standard & Poor's, the ratings agency, revised its outlook to negative from stable on Waste Management and Wheelabrator Technologies, a 67 per cent-owned subsidiary of Waste Management.

At the same time, Standard & Poor's affirmed its ratings on Waste Management and related entities.

The outlook revision reflects uncertainties regarding the firm's business strategies and financial policies following the resignation of top management last week, including chief executive Ronald LeMay.

In addition, there is potential for material charges to income that could diminish already limited financial flexibility, S&P said.

Such developments could further delay anticipated improvements in credit protection measures, it added.

Reuters, New York

US biotech groups to merge

By Daniel Green

Two US biotechnology companies are to merge in a rare example of consolidation in an industry that consists of 300 Nasdaq-listed companies and about 1,500 privately held in the US alone.

Arris Pharmaceuticals of San Francisco is buying fellow Californian company Sequana Therapeutics, of La Jolla, for $166m in shares. The combined company will have a new name: Axys Pharmaceuticals.

The chief executive will be John Walker, currently in that position at Arris.

Sequana chief executive, Kevin Kinsella, a former venture capitalist, said he would be taking a "well-deserved break" and suggested he might "do some more investing".

"It was no industry secret I had been looking to replace myself at Sequana," said Mr Kinsella.

His decision to relinquish the job overcomes what many analysts regard as the main obstacle to consolidation in the US biotechnology sector: who would be chief executive in an industry noted for its egos.

Arris shares were down $1 1/16 at $10 11/16, while Sequana's were up $2¼ at $13¼ in afternoon trading yesterday.

The new company will have its headquarters in San Francisco, but Arris's Dan Petree will move to La Jolla and take the post of chief operating officer.

Mr Walker said the new company would have technologies that ran from genetic analysis, from Sequana, to drug development, at Arris.

Both companies have been prominent in biotechnology, each with a series of partnership arrangements.

Arris has deals with Merck of the US and SmithKline Beecham of the UK, among others, while Sequana has deals with Glaxo Wellcome of the UK and Roche of Switzerland, through its recent acquisition of Germany's Boehringer Mannheim. Between them, the partnership deals are worth more than $500m, said Mr Walker.

COMPANIES AND FINANCE: EUROPE

VW shares bounce on profits surge

By Graham Bowley in Frankfurt

Volkswagen, the German automotive company, yesterday reported an 83.2 per cent rise in net profit to DM852m ($495m) in the first nine months of this year, triggering a sharp rise in its share price.

The shares rose DM72, or 7.13 per cent, to DM1,089. The robust performance is likely to help restore investor confidence after VW was last week forced to postpone its controversial DM6bn-DM8bn capital increase because of turbulence on world markets.

Analysts said the strong results – which were broadly in line with expectations – underlined VW's success in cutting costs by concentrating on a few common platforms for its cars.

They also reflected the popularity of its wider model range and demonstrated the boost German exports were receiving from the weakness of the D-Mark.

VW said sales rose 12.8 per cent to DM84bn in the first nine months compared with the same period last year. Unit sales rose 7.7 per cent to 3.19m vehicles, of which 2.4m were sold abroad, an increase of 8.8 per cent.

VW said business in Germany was helped by stronger exports and a slight pick-up in domestic demand. It said the western European economies in general were helped by low interest rates and strengthening exports, while the US economy continued to grow strongly. Japan, in contrast, showed weakening domestic demand, the carmaker said.

"The broad acceptance of the new models, together with our improved cost structure, strengthens the competitiveness and profitability of the company," VW said. Analysts said VW was likely to benefit next year when the company's new Golf model started to affect its financial results.

The healthy recovery in VW's share price comes a week after it was one of the most badly hit shares in the general sell-off on European and world share markets.

Investor confidence had earlier been undermined after VW was attacked for not giving enough information about what it planned to do with the capital it intended to raise. The capital increase led to speculation that VW might be preparing to expand by buying another carmaker, but VW has denied this.

VW said it increased its workforce by 7 per cent to 279,153 in the first nine months to cope with higher demand for new models. Capital investment rose 8.8 per cent to DM5.4m, most of which went to its Audi, Volkswagen de Mexico and Volkswagen do Brasil divisions.

OBITUARY: Baron Edmond de Rothschild

Head of the banking family's Swiss branch

Edmond de Rothschild: had fair share of financial genius

Edmond de Rothschild, head of the Swiss branch of the legendary Rothschild banking family, died yesterday after a long illness at the age of 73.

Although the junior branch of the dynasty, it is also by some estimates the wealthiest.

Benjamin de Rothschild, Baron Edmond's son, will tomorrow become head of the supervisory board of the newly created Compagnie Financière Saint-Honoré, his family's principal holding company.

Baron Edmond had prepared the handover to his 34-year old son over many months.

Financière Saint-Honoré, the interests of which span insurance broking, banking, real estate and a range of industrial participations, was created in September this year by the merger of Compagnie Financière Holding Benjamin et Edmond de Rothschild and La Savoisienne.

It holds 89 per cent of Compagnie Financière Edmond de Rothschild Banque, 39 per cent of Compagnie de Conseils des Assurances Saint-Honoré and 46 per cent of Cogifrance, the real estate arm.

It also owns one quarter of BFM, a specialist business radio station, and smaller stakes in Club Méditerranée, the holiday village operator, Gallimard, the publisher, Publicis, the advertising agency, and the holding companies Albatros Investments and Bolloré Technologies.

Baron Edmond de Rothschild was descended from the youngest son of Mayer Amschel, the founder of the Rothschild dynasty, from whom the French and British arms of the banking empire sprang.

The Rothschild financial genius has been erratic, but Edmond received a fair share, which demonstrated itself in a series of entrepreneurial investments.

Edmond de Rothschild was born in Paris in 1926 but moved with his father to Geneva in 1940, where he set up the Compagnie Financière and where Benjamin is also now resident. He lived in the magnificent Chateau de Pregny, one of the most palatial of the many Rothschild mansions.

Andrew Jack

Astra's sales get lift from Losec

By Tim Burt in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday reported a 13 per cent increase in third-quarter profits as sharply improved US sales of Losec, its best-selling anti-ulcer drug, offset slower growth in Europe.

The company saw pre-tax profits increase from SKr3.09bn to SKr3.49bn ($466.57m) on sales up 21 per cent to SKr11bn from SKr9.06bn in the three months to September 30.

Astra said the improvement had been fuelled mainly by increased demand for Losec, the world's top-selling prescription drug. For the first nine months of the year, Losec contributed SKr15.5bn in sales, against SKr12.7bn last time, to total sales of SKr32.5bn, compared with SKr28.1bn.

Although its first patents expire in 2000, the company is seeking patents in 60 countries for a new drug – perprazole – designed to combat acid-related diseases.

Astra's most traded A shares rose SKr4.50 to SKr125 yesterday, regaining some of the ground lost earlier this year when it reported slower-than-expected growth.

Industry analysts, who predict full-year profits of about SKr14.4bn, nevertheless expressed concern at the relatively modest growth in Europe, where sales rose 5 per cent to SKr17.1bn.

In North America, by comparison, sales rose 37 per cent to SKr9.98bn.

That helped lift operating profits by 20 per cent to SKr3.43bn. The pre-tax figure would have been higher had it not been for a sharp fall in net financial income from SKr695m to SKr330m, mainly because of lower interest rates.

Earnings per share rose from SKr1.34 to SKr1.47.

Krupp-Thyssen link 'undecided'

By Peter Norman in Bonn

Thyssen and Krupp, the German groups which earlier this year forged a steel joint venture, yesterday insisted that no decisions had been taken on the broader merger that the two groups have been exploring since summer.

Krupp and Thyssen declined to comment yesterday on a report in Focus, the weekly news magazine, that Thyssen had calculated a merger would yield benefits worth DM400m ($232m) and that Krupp put the potential gains at DM600m.

Instead, officials from both companies stressed that delivery of the reports was only the prelude to complex negotiations that could last until the end of this month.

Thyssen shares yesterday climbed DM30 to DM410.50 in Frankfurt, while Krupp Hoesch was ahead DM19.50 to DM350 in Düsseldorf.

The sharp increases reflected news that 19 working groups set up to evaluate possible synergies and overlaps arising from a merger had reported to the companies' managements last Friday, as scheduled.

Expectations have been raised in the industrial region of the Ruhr, home of both companies, that the negotiations will end with a merger. "It is no longer a question of whether, but when, how and with whom," said one person involved with the discussions.

The pro-merger mood has been stimulated by reports that the creation of a high-technology heavy engineering group around Thyssen and Krupp has the support of the North Rhine Westphalia government in Düsseldorf, the two companies' banks and the IG Metall trade union.

● French steel producer Usinor yesterday confirmed it had agreed a deal with Spain's Aceralia to lift its stake in their Sidmed joint venture in Sagunto, Valencia, agencies report from Paris. The two will invest Pta25bn ($171m) in modernising facilities at Sidmed, which makes ultra-thin sheet, coated and uncoated sheet steel.

The deal also involves creating a new group which would manufacture 400,000 tonnes of galvanised products a year.

As part of the accord, Usinor will lift its stake in Sidmed to 49 per cent from 32.5 per cent now.

Salomon declines

By David Owen in Paris

Salomon, the French winter sports and golf equipment company poised to be taken over by Germany's Adidas, yesterday reported a decline in interim profits.

First-half net consolidated income dipped from FFr148m to FFr143m ($24.8m) – a decline of 3.2 per cent. This was achieved on net sales up just more than 10 per cent from FFr2.02bn to FFr2.23bn.

The Annecy-based company, which is the world's largest manufacturer of ski bindings, said the planned tie-up with Adidas would enable it to accelerate its development as well as enhance awareness of its brands.

It said it was studying a number of new products, notably in the fields of winter sports clothing, together with footwear and apparel for golf and cycling.

The German sportswear group agreed in September to take over the French company in a FFr8bn acquisition to create the world's biggest sports goods manufacturer after Nike of the US.

As part of the deal, Adidas – which is to be renamed Adidas-Salomon – would strengthen its distribution networks in the US and Japan, where Salomon brands are well established.

EUROPEAN NEWS DIGEST

Canal Plus wins compensation

Canal Plus, the French pay-television group, said yesterday the number of subscribers in Telepiu, the Italian company it bought with the acquisition of Nethold last year, had been over-stated by 15 per cent. Richemont and MIH, Nethold's shareholders and now large investors in Canal Plus, have agreed to pay an indemnity to compensate for the discrepancy following detailed calculations over the next 30 days, the company said.

Canal Plus would not comment on the size of compensation. However, in August last year, when the deal was first announced, it said Telepiu had 790,000 subscribers and placed a value of $1,600 on each of them.

The final sum is likely to be determined by the relations between the groups – which said they would find a "rapid" and amicable agreement – as well as changes caused by currency fluctuations and value added to each subscriber since the merger. Pierre Lescure, Canal Plus chairman, called the prospect for further development in Italy "most promising", and stressed that the number of digital subscribers had risen from 5,000 at the end of August last year to more than 160,000 at the end of last month. *Andrew Jack, Paris*

■ AGROCHEMICALS

Agrevo forecasts 37% rise

Agrevo, the German agro-chemical company jointly owned by Schering and Hoechst, said yesterday it expected profits in 1997 to rise 37 per cent to around DM320m ($188m). Sales would be about DM4bn, a 7 per cent increase on 1996. Gerhard Prante, chief executive, said turnover had been boosted by sales of genetically-altered rape-seed oil herbicides and maize in Canada and the US.

At the nine-month mark sales were up 11 per cent at DM3.3bn. The increase was amplified by the strength of the dollar against the D-Mark, Mr Prante said. Expressed in dollar terms, sales increased by about 2 per cent. Europe accounted for 40 per cent, or DM1.2bn, of sales in the first nine months, slightly down on the same period in 1996. Strong demand for cereals and oil seeds in North America lifted sales by 27 per cent to DM700m.

With the company's genetically-altered products gaining increasing importance within AgrEvo's portfolio, Mr Prante reiterated earlier calls for the registration of such products by the European Union to be speeded up. At present registration procedures take up to two years, presenting a threat to growth.

He added that "widespread consumer ignorance" about how food is actually produced also needed to be "replaced by a more realistic view of things". In particular, consumers who were sceptical of genetically-altered products needed to be made aware of how much gene technology has long been an accepted part of food and pharmaceutical manufacturing. *Frederick Stüdemann, Berlin*

■ TELECOMMUNICATIONS

Progress on German competition

Months of battling over terms for connecting Germany's telecommunications networks between Deutsche Telekom, the former state monopoly, and its new competitors have moved closer to resolution. An "interconnection" agreement has been signed with o.tel.o, one of the biggest operators planning to take advantage of full liberalisation of the market in January. Interconnection agreements are a crucial part of ensuring real competition. O.tel.o is owned jointly by Veba and RWE, the large energy groups.

However, the deal still leaves open the question of price. A clause in the contract allows Deutsche Telekom to continue challenging in court a decision by the Bonn post and telecommunications ministry to set an average charge of 2.7 pfennigs a minute.

Also unresolved is the issue of the type of access in the "last mile" into customers' homes and businesses. Full "unbundled access" would allow Deutsche Telekom's rivals greater freedom over the level of service they offer. *Ralph Atkins, Bonn*

■ ANTITRUST

Koor denies alleged price-fixing

Israeli antitrust authorities yesterday launched an investigation into charges that two telecommunications subsidiaries of Koor Industries, the country's biggest conglomerate, have been involved in price-fixing since 1987. Authorities removed documents from Koor's offices and its subsidiaries Tadiran and Telrad, after the Israeli financial newspaper Globes reported the two subsidiaries allegedly drafted an accord 10 years ago to co-ordinate prices for equipment sales to Bezeq, Israel's state-owned telecoms company. The report did not say whether the agreement was ever signed.

Benjamin Gaon, chief executive of Koor since 1988, denied the alleged agreement existed, as did the two subsidiaries. Koor said the company was co-operating with the inquiry. Koor said Israel's antitrust commissioner scrapped plans last May to declare its telecoms operations a violation of antitrust law.

Tadiran and Telrad have depended on contracts from Bezeq for several years. However, the two companies have been shifting towards exports after losing exclusive contracts with Bezeq earlier this year. More than 40 per cent of Koor's revenues of $1.8bn in the first six months of 1997 were derived from telecoms. *Avi Machlis, Jerusalem*

■ ELECTROLUX

Brazilian tender offer launched

Swedish appliance maker Electrolux has launched a tender offer through its wholly-owned Brazilian unit Electrolux Limitada to buy the remaining non-voting preference shares in Electrolux do Brasil, previously called Refripar. The offer, which has a fixed price of R$2.03 for every 1,000 shares, will enable minority shareholders to sell their shares. The offer represents a premium of 58.6 per cent over the latest closing price of R$1.28 per 1,000 shares, Electrolux said.

Electrolux owns 99.9 per cent of the voting shares and 4 per cent of the non-voting shares, together making up 50 per cent of the total share capital. The offer is valid until November 17, 1997. *AP-DJ, Stockholm*

US listing boosts Asian companies

By Edward Luce

Asian companies with a listing in the US comfortably outperformed counterparts with a purely domestic listing since the currency crisis erupted in Thailand this year, according to Citibank.

A report by the US bank also showed that companies with an American depositary receipt on the New York stock exchange or Nasdaq consistently outperformed their domestic rivals over the past five years. ADRs are secondary listings of a company's ordinary shares based upon the performance of the company's underlying shares in its domestic market.

"This demonstrates that companies with a much broader investor base can shut out the statistical noise from their domestic markets and perform as global entities," said James Donovan, head of depositary receipts at Citibank in New York.

According to the study, the domestic shares of south-east Asian ADRs fell 38 per cent in the third quarter of this year, compared with an average drop of 46.3 per cent for these markets in general. Shares of the 31 largest south-east Asian companies (by market capitalisation) which did not have ADRs fell by 43.5 per cent.

"Emerging market companies with ADRs can eliminate some of the volatility which they would otherwise face," said Mr Donovan.

The study also showed that the top 20 most liquid ADRs outperformed their domestic counterparts on a quarter-by-quarter basis over the past five years, posting an average annual return of 12.8 per cent versus an aggregate 9.1 per cent for their corresponding domestic markets.

Citibank said there were several reasons for the outperformance of ADRs, including the fact that domestic US retail investors find them easier to purchase than their domestic rivals. US pension and insurance funds also face fewer restrictions on buying shares in companies with a US listing than buying shares in a foreign market.

The domestic performance of a company with a New York listing is also boosted when the US equity market is buoyant. This feeds quickly through to the company's domestic share performance as arbitrageurs iron out the price differential.

However, with the top 20 ADRs accounting for 66 per cent of liquidity by volume of turnover in New York, many of the remaining 1,780 ADR listings are barely traded.

This suggests that achieving a listing in New York is a necessary but not sufficient condition for boosting a company's share performance.

Daewoo pins its hopes on Poland

Warsaw is the linchpin as the carmaker expands production in the former eastern bloc

The antlers and animal skins relegated to a basement room at Daewoo's Warsaw dealership look ominously out of place considering the priorities of the men now running what was the pride of the Polish motor industry.

Where politically appointed bosses once went hunting in company time, the new managers of FSO, the Warsaw-based carmaker now owned by Daewoo, set more store by commercial trophies.

In the 18 months since Daewoo took control, FSO has narrowed the gap on Fiat, Poland's market leader. According to Choi Jung-Ho, president of its Centrum Daewoo sales arm, Daewoo is poised to overtake with a new generation of Korean-designed cars which have just started production.

Poland is the linchpin of Daewoo's plans for the former-eastern bloc. Since the early 1990s, it has snapped up carmakers in Romania, Uzbekistan and Poland, along with commercial vehicle manufacturers in Poland and the Czech Republic. Last month, Daewoo signed a joint venture with the main carmaker in Ukraine, virtually completing its regional ambitions.

Poland is central to Daewoo's plans. The company's output in Poland is expected to reach 570,000 units by 2000 – making it by far the biggest of Daewoo's foreign operations, and alone responsible for more than one fifth of the group's forecast production.

Getting there will not be easy. Many analysts questioned Daewoo's judgment in buying FSO. Last year's deal to take over FSO, one of the least efficient former-communist carmakers, followed almost five years of fruitless talks between the Polish government and General Motors, the world's biggest car company. While GM insisted on tough terms – such as shedding many of FSO's 22,000 workers – Daewoo offered a three-year employment guarantee.

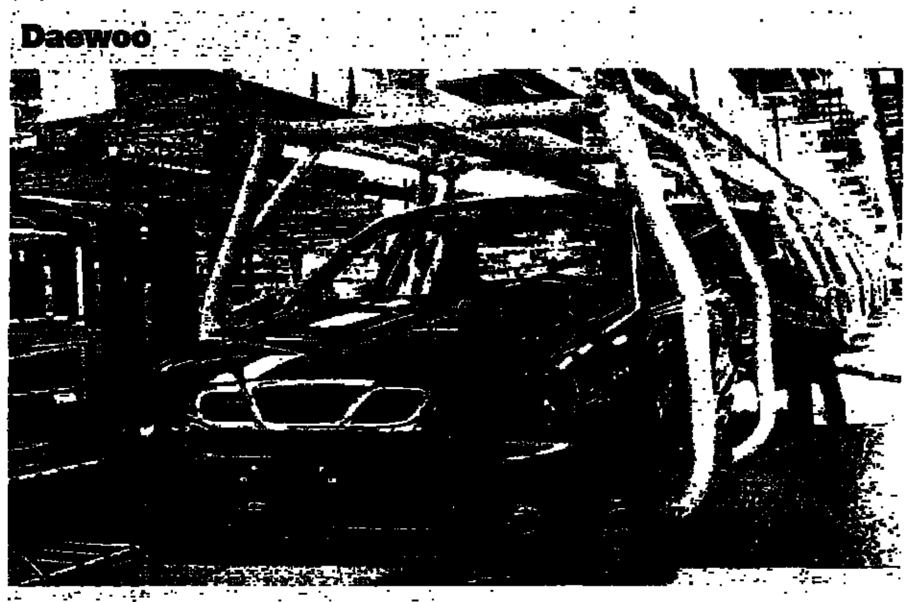
Daewoo also agreed to keep FSO's outdated Polonez cars in production and it promised to build a new generation of Daewoo models at FSO's decrepit factory.

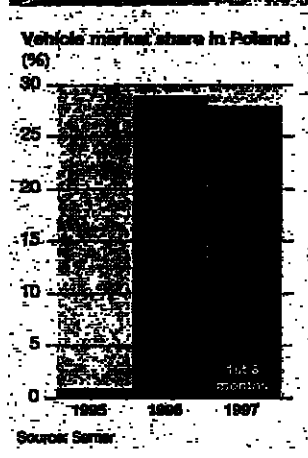
Daewoo has now lifted the veil on the changes that have taken place. Externally, the plant remains a vast sprawl of grandiose buildings designed for far more than the modest 95,000 cars made last year.

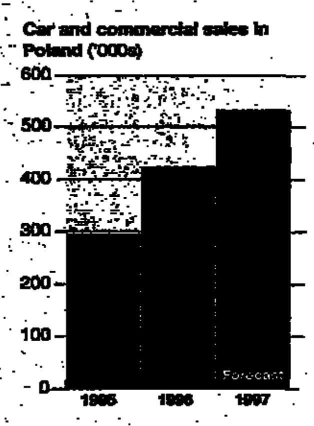
Inside, however, things have been changing. Much of the body and assembly areas have been swept away for production of the Lanos, Daewoo's new small car. FSO will also assemble the larger Nubira and Leganza. And from next year, it should start building Daewoo's latest car, the diminutive D'Arts.

Mr Choi believes the new cars will soak up FSO's surplus labour and turn what many observers thought was a basket case into a success.

While that remains an uphill task, the company has been bolstered by the vibrant Polish car market. Sales of cars and commercial vehicles should reach 534,000 this year from 426,000 in 1996 and 296,000 in 1995, according to Samar, a leading forecasting group.







Source: Samar

Top 10 passenger car registrations in Europe, 1996

1	Germany	3,508,300
2	France	2,132,100
3	UK	2,025,500
4	Italy	1,737,300
5	Spain	909,000
6	Netherlands	473,500
7	Belgium	427,400
8	Poland	373,542
9	Austria	307,800
10	Switzerland	274,600

Kim Tae-Gou, chairman of Daewoo Motor, is bullish about the future. "Poland will be the seventh largest market in Europe in 1997, compared with the 10th biggest in 1995. We expect it to be the sixth largest in 1998 and perhaps even the fifth largest in the next millennium," he says.

Output at FSO is forecast almost to double to 170,000 units this year. Daewoo has invested $22m to refresh the Polonez and production has been additionally boosted by assembling the Tico and Espero. Eventually, however, new models such as the Lanos will dominate. New body and assembly halls are already under construction for the updated cars. "The plant will be unrecognisable in two years", says Mr Choi.

FSO is just part of Daewoo's automotive commitment to Poland. The company also owns the former FSL, a commercial vehicles group employing 5,000, which is being modernised to build new products under development at Daewoo's Worthing technical centre in the UK.

Many of the engines will come from Andoria, the Polish motors group with 2,000 employees, which is also owned by Daewoo. Some may be shared with Avia, the Czech commercial vehicles group which also belongs to the Koreans.

Components will be sourced from Polish producers also under Daewoo's wing.

Local sourcing should be cheaper than importing parts from Korea. Using Polish components will also meet the group's commitment to the government to increase the local content of its cars. The Lanos should have a local content of 70 per cent next year, says Mr Choi. Bringing in Korean partners should guarantee quality, he believes.

Some of the subsidiaries may eventually supply Daewoo's other vehicle operations in eastern Europe and the former Soviet Union in a complex production matrix. But Poland will remain the central piece in the puzzle. Daewoo is already looking for a local site for its regional headquarters. The way things are going, its network may be in place well before its headquarters.

Haig Simonian

Siemens sells dental business

By Graham Bowley in Frankfurt

Siemens, the German electrical engineering and electronics group, is selling its dental equipment business to a group of international investors advised by Schroder Ventures, the venture capital group.

The sale is the latest step in restructuring by Siemens to focus on core businesses, and follows the long-awaited sale last week of its defence electronics business to a German-British consortium.

However, the group has still come under fire from investors and analysts for not doing enough to streamline its operations.

The latest sale comes as venture capital groups expect Siemens – and other large German conglomerates – to do increasingly more to dismantle their large industrial empires in the future.

Siemens said it had agreed to sell its worldwide dental equipment business, which has annual turnover of about DM900m ($529m), to the group of investors, which is made up of pension funds and insurance companies.

The purchase price was not disclosed but the transaction is believed to be the second biggest management buy-out deal in Germany this year.

The new investor group said it planned to take the business – which employs about 2,700 world-wide – public within a few years.

"We think the business can grow quite a lot more which means at least three years standing on its own to do that," said Richard Winckles, a European board member at Schroder Ventures.

The group's current management is to remain in place and retain a large role in the company, although the new investors have appointed a new chief executive – a former head of Rank Xerox in Germany.

Siemens' dental equipment group is market leader in Europe but lags behind competitors in the US and Asia.

Schroder Ventures and J. P. Morgan, which advised Siemens on the deal, said the group would attempt to grow in markets outside Germany.

In September, Siemens announced it was selling its lighting equipment division to a US group.

It has also said it wants to sell its "i-centre" division which focuses on wholesale lighting and installation technology.

Tanzania's plans for bourse in further setback

By Michela Wrong in Nairobi

The long-delayed launch of Tanzania's stock exchange has been postponed yet again because of the failure to get any companies ready for official listing.

Economists in Dar Es Salaam confirmed yesterday that the stock exchange, part of a donor-backed restructuring programme intended to transform the east African nation from a near-bankrupt socialist experiment into a thriving capitalist economy, would not open before March 1998.

Government officials have been hailing the launch of a three-tier stock exchange as imminent since early 1996 and five stockbroker-dealers were officially licensed in June.

But bureaucratic delays in what is widely regarded as one of Africa's least business-friendly environments have time and again forced a postponement.

Most of the 13 companies earmarked by the government for flotation are reported still to have to complete internal structural changes and accounting procedures making them eligible for public offer.

Even Tanzania Oxygen Company Limited, long ago identified as the first company to be listed, had been unable to complete the initial formalities in time, the East African business newspaper said.

Officials at the Capital Markets and Securities Authority were unavailable for comment.

The latest hold-up will be seized upon by critics who believe that the region does not need three stock exchanges and that Uganda and Tanzania, both struggling to open bourses, would do better quoting stock on the expanding Nairobi Stock Exchange.

But others regard the bourse launch as an important signal of changing mentalities in Tanzania, where Julius Nyerere's socialist principles have proved surprisingly hard to shift.

"These are the kinds of logistical problems you get in a low savings economy, where private enterprise is still in its infancy," said one financial analyst.

"This country has to walk before it can run, but having a stock exchange is an important symbolic step on the road to a capitalist economy."

Telmex submits to FCC's conditions

By Leslie Crawford in Mexico City

Telmex, Mexico's dominant telecommunications company, yesterday accepted tough conditions set for it by the US Federal Communications Commission in order to be allowed to operate as a long-distance carrier in the US.

The FCC last week approved Telmex's request for a licence, but it demanded in return that Telmex lower the settlement rate it charges US carriers to complete calls inside Mexico.

Telmex executives said yesterday they had accepted the FCC's conditions, which oblige it to reduce settlement rates by 51.8 per cent over the next three years. The measure will cut Telmex's net revenues by an estimated $400m a year.

Cross-border traffic volumes between the US and Mexico are the second highest in the world. The settlement rate between Telmex and US carriers is 39.5 cents a minute. The settlement rate has been a big source of income for the Mexican company, earning on average net revenues of $800m a year.

Gerardo Muñoz, Telmex investor relations manager, said: "The reduction in settlement rates is in line with Telmex's commitment to lower tariffs, and it is also in line with global trends to lower settlement fees."

Since 1990, Mr Muñoz said, settlement rates between Mexico and the US had fallen by 50 per cent.

Telmex applied for a licence to provide long-distance services in the US in February this year, demanding reciprocity after Mexico opened its long-distance market to international carriers.

The company says its initial investment in the US will be small, as it plans to rent facilities from Sprint, its US partner.

"The conditions set by the FCC were in line with what the markets expected," Leslie Marcus, analyst with Santander Investments in New York, said yesterday. "What was under discussion was how quickly Telmex would have to bring down its settlement rates."

Interest income aids CLP in 19.4% rise

By Louise Lucas in Hong Kong

China Light and Power, Hong Kong's dominant electricity supplier, yesterday reported a 19.4 per cent rise in annual group earnings, from HK$4.84bn to HK$5.77bn (US$746m), in the year to September 30.

The results were swollen by interest income on the proceeds of share placements to Citic Pacific, China's main investment agency. In January, Citic bought a 20 per cent stake in CLP for HK$16.25bn.

Its core earnings from the Scheme of Control which governs the industry rose 6.8 per cent, from HK$4.45bn to HK$4.76bn. Other earnings, primarily interest income on the Citic share deal, jumped from HK$381m to HK$1.01bn. Next year the company will book its share of profits from property sales of HK$5.8bn in a joint development with developer Cheung Kong.

CLP's performance has been hampered by the migration of manufacturing plants across the border to China. Electricity sales to manufacturers continued to fall in the past financial year, by 5.7 per cent. This was compounded by a lower than average 1.5 per cent growth in domestic sales, which directors attributed to a "particularly cool and wet summer".

Hong Kong's sluggish growth prospects have prompted CLP to seek opportunities further afield, and the Citic deal was aimed at facilitating this goal. CLP finally received the go-ahead on a 3,000MW power station in Shandong province earlier this year, and is now in discussions with export credit agencies and banks to secure US dollar financing for the second phase of the project.

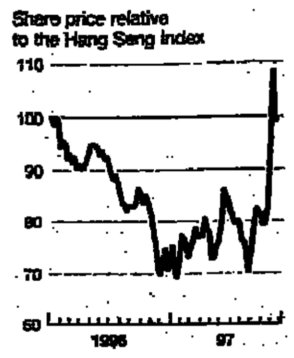
Beyond China, Ross Sayers, managing director and chief executive, acknowledged the problems wrought by the south-east Asian currency crisis. The business environment in Asia is "more uncertain and more volatile than it has been for a number of years," he said.

To increase flexibility for business development outside Hong Kong, CLP has proposed a new holding company which is expected to begin trading on the stock exchange in January.

CLP's capital expenditure plans for 1992-1999 have been cut from HK$60bn to HK$48bn. Savings of HK$3.5bn in operating expenditure are being projected for the same period.

Earnings per share rose 4 per cent, from HK$2.42 to HK$2.52 and a final dividend of 46 cents is proposed, giving a total annual payout of HK$1.48, up from HK$1.40.

China Light and Power



Source: Datastream/ICV

Smokescreen falls on corporate Indonesia

Smoke everywhere but not a fire in sight.

That holds as true for Indonesia's business community as for its forests, which have been wrapped in a choking haze for three months from smouldering peat and bush fires.

Rumours of defaults and impending collapse for Indonesian banks, conglomerates and property companies have abounded following a 30 per cent devaluation of the rupiah and a 40 per cent slide on the stock market in recent months.

Many big companies are believed to be heavily exposed to foreign currency debt, much of it unhedged. But none has gone bankrupt or publicly blamed another company for defaulting.

Tunky Ariwibowo, trade minister: unveiled measures to stabilise Indonesia's economy *Reuters*

Last week's $37bn aid agreement with the International Monetary Fund and other lenders should lift investor confidence. But the funding is not aimed at bailing out Indonesian businesses, and some of the measures in the package agreed with the IMF may increase hardship in the short term.

"A lot of groups are in trouble," one broker said. "But we won't see the full extent of this damage at least until the annual results are published in the first quarter of next year. They'll all try to cover it up until then.

"Large parts of these groups are not listed. They can shuffle things around between companies. Eventually the music will stop and they'll have to come clean."

So far only a few companies have come clean, or at least cleaner. Indofood, the noodle producer that is part of Salim Group, warns profits may drop to zero because of the impact of the rupiah devaluation on $900m in unhedged foreign debt. Semen Cibinong said it cut output of cement by 35 per cent last month to cope with a downturn in Indonesia's construction business.

However, Aburizal Bakrie, chairman of Bakrie & Brothers, denies that his diversified group was badly exposed, with more than $1bn in foreign debt.

"Bakrie & Brothers is the only company which 95 per cent hedged their dollar borrowing," he insists. "Nobody believes that, so we got verification. Bakrie & Brothers profits will go up this year."

The listed company is only one of many Bakrie companies, however, and Mr Bakrie says his unlisted holding company, Bakrie Investindo, will see profits fall "by about 40 per cent" because of foreign exchange exposure.

"Because of the crunch, we've been selling one of our foreign assets," Mr Bakrie said, declining to be specific. Because of the high cost of raising finance, Bakrie has delayed the launch of its first car by six months, postponed land purchases for its palm oil plantations and put off construction of a chemical plant, a hotel and its own new headquarters. "The cash flow savings may be around $200m," Mr Bakrie says.

Rapidly expanding companies have been hardest hit because of their borrowings. Steady Safe, which runs cab, bus and ferry services, had obtained a $100m long-term loan to buy 1,000 new taxis and 800 new buses. But it also wanted to buy 21 per cent of a toll road company controlled by President Suharto's daughter.

Jopie Widjaya, the company's president director, said he opted to pay back the loan with short-term debt to avoid breaching loan conditions. He left $60m in debt unhedged and planned to issue bonds in Europe and the US.

But then the rupiah slumped, interest rates shot up and the stock market crashed. "It's just that the timing was not perfect," Mr Widjaya says. He denies reports that Steady Safe faces cash-flow problems, but his shares have lost more than two thirds of their value in recent months.

Banks are likely to be among the worst hit. Singapore-based SocGen-Crosby Research expects non-performing loans to shoot up to 12.1 per cent in 1997 and 17.7 per cent next year, the worst rate in south-east Asia after Thailand. The government shut down 16 smaller banks over the weekend, but analysts fear that owners of many larger banks have also used them as milk cows and collateral for dubious property loans.

But banks are also among the most secretive businesses. Bank Danamon, which survived a run on the bank sparked by rumours in August, has denied exposure to property but concedes that the family which owns it also owns property.

Brokers and analysts say Indonesia's weak foreclosure rules leave lenders with no incentive to go public on overdue loans, let alone push for bankruptcy. "Nobody will go bankrupt," one diplomat said. "Suddenly assets of one company will appear on the balance sheet of another and that will be all."

"People help each other out," said Mark Saunders-Davies, managing director of NatWest Markets in Indonesia. "It's the way the business works here. Great store is placed on relationships."

Mr Bakrie said most big companies can ride the storm. "Once they have the liquidity they can overcome that," he says, adding that interest rates have come down slowly. "The liquidity is there but the money is still in the hands of the banks. They are taking the money to solve their problems first. They may quote an interest rate but are not actually giving loans at any rate."

Only the most respected companies still have access to funds. Astra International, Indonesia's largest car producer, last week became the first leading group to secure a long-term loan, worth $160m from seven foreign banks, to pay off short-term debts.

He pointed out that the government was wary of increasing liquidity too quickly because it might renew speculation against the currency. Nevertheless he predicted a revival in investor confidence following last week's IMF agreement, adding that the authorities could "use the momentum to release liquidity faster".

Sander Thoenes

ASIA-PACIFIC NEWS DIGEST

Provisional price for Handan offer

China's Handan Iron and Steel has tentatively priced its offering of 350m domestic A-shares at about Yn8 each, the company said yesterday. It added that it was waiting for approval of the issue by the China Securities Regulatory Commission, the country's top securities watchdog, the company told the China Securities Bulletin, a Hong Kong-based newsletter.

Handan said the offer would be made this month but did not confirm the exact timing or pricing of the issue, which would be listed in Shanghai. Of the 350m shares, 30m would be issued to staff, it said. The lead underwriter would be Citic Securities. The company plans to invest the proceeds in technological upgrades and the acquisition of a steel plant in province of Henan that had lost more than Yn200m ($24m) over the past two years, he said.

Handan Steel forecast 1997 net earnings per share of Yn0.40 on a fully diluted basis, compared with an average Yn0.58 annually between 1994 and 1996. The company, based in Handan city in northern Hebei province, had annual output capacity of more than 2m tonnes of steel. Handan currently has a total of 890m shares, all held by state-owned institutions. *Reuters, Hong Kong*

■ NEW ZEALAND

Fay, Richwhite eyes Europe base

Two of New Zealand's wealthiest businessmen, Sir Michael Fay and his partner David Richwhite, are to move most of their merchant banking operations to Europe. Their company, Fay, Richwhite, has been involved in the privatisation of many of New Zealand's state-owned assets, including Telecom and New Zealand Rail, now Tranzrail.

Sir Michael said the company had not decided in which west European capital it would be based. He added that the focus of the company's business and most of its assets were now located outside New Zealand and that the company needed to re-establish an operational base in Europe.

Fay, Richwhite has also been involved in the bids for parts of the former British Rail. *Terry Hall, Wellington*

■ WESTPAC BANKING

Further buy-back planned

Westpac Banking plans to buy back a further 85m shares over the six months starting November 17. The Australian bank said it had ended an earlier buy-back of shares, having purchased 21.87m shares at a cost of A$181.98m (US$128.3m). Westpac had originally planned to buy back up to 50m shares in the first operation.

"The new scheme replaces the existing buy-back scheme that was due to conclude this month and represents a continuation of Westpac's established policy of active capital management," said Pat Handley, Westpac chief financial officer.

Westpac's share buy-backs had resulted in the repurchase and cancellation of 148m shares, Mr Handley said. The company said that in the first operation 21.87m shares had been bought at prices of between A$6.40 and A$8.98 a share. *Reuters, Sydney*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

MTNL ahead 9% at halfway

By Krishna Guha in Bombay

MTNL, the Indian telecoms company, yesterday announced first-half pre-tax profit up 9 per cent to Rp7.7bn ($212m) in spite of a sharp increase in costs caused chiefly by higher wage bills.

The state-owned company, which plans to make its first GDR issue at the end of this month, said revenues rose 13 per cent to Rp22.4bn in the six months to September 30.

However, expenditure jumped 23 per cent to Rp11.6bn following salary increases in the Indian public sector.

S. Rajagopalan, chairman, said the results were "very good" and would be "welcomed by investors old and new". But he added he was concerned by operating margins, which had fallen from 49 per cent to 46 per cent.

The pay rises were a "one-off cost" and the company was determined to "bounce back to 50 per cent". MTNL has frozen recruitment and is "looking hard at other expenses", he added.

Revenue growth was driven by the addition of new phone lines to its network of 3m land lines in Delhi and Bombay. In the first half, MTNL was able to install only 71,000 new lines because of monsoon rains, but it said it remained on course to add 440,000 lines during the financial year.

Mr Rajagopalan said MTNL, which has recently been granted licences to operate mobile phones in Bombay and Delhi, was now looking at the technical details. This is viewed with alarm by private-sector mobile-phone companies, but Mr Rajagopalan denied MTNL wanted to cut into their market and said there was "enough business for everyone".

The company planned to restructure its board over the next two to three months to take advantage of the autonomy granted it in September, when it was given "navratna", or jewel, status by the government. This allows the board to make investment decisions up to Rp2bn.

The company has also secured its licence for 15 years and fixed the fees it pays to India's department of telecommunications for the next three.

Analysts said the results were "a little better than expected", given the effect of the wage increases.

Mr Rajagopalan was unable to comment on the GDR issue, but sources close to the deal, which is expected to comprise 90m-100m shares worth about $900m, said it was "still on track" in spite of recent turmoil on global capital markets.

HK retailer sees slower growth

Dickson Concepts (International), the upmarket Hong Kong retailer, said yesterday that the poor retail climate in south-east Asia, caused partly by the recent financial turmoil in the region, would affect its turnover growth, Reuters reports from Hong Kong.

The company said that there was "no question that the retail environment throughout Asia has been seriously affected by the recent events".

However, Dickson Poon, chairman, added: "I think it's too early to tell whether there will be a fall [at Dickson] from last year, even though this is certainly possible."

Dickson had felt the impact of a downturn in the retail climate in the second half of the year to March 31 1998, he said.

Mr Poon said he expected south-east Asia's retail market to bottom out next year as the financial environment stabilised.

However, he pointed out that the market weakness could offer the company better opportunities for investment and acquisition.

"Dickson today has a very good and big recurrent income base, and Dickson has no debt but a lot of cash," Mr Poon said, adding that the company had cash of more than HK$1.2bn (US$155m).

He explained the company had decided not to acquire Shiamas – a retailer and distributor of high fashion in Hong Kong, Taiwan, Singapore and Indonesia – because of the retail downturn. Dickson had not been sure Shiamas could offer a high return within a short time, Mr Poon said.

Shiamas would now be acquired by a private company owned by Poon's family which would take a longer-term strategy on the retailer, he said.

Two companies associated with Dickson Concepts group are paying HK$300m to buy Shiamas.

Artland Watch is a company run by the family that controls Dickson, while Birkett Services is owned by the controlling shareholder of Shiamas, which already has connections with Dickson.

Liberty invites friendly takeover

By Robert Wright

Liberty, the upmarket retailer, yesterday invited a friendly takeover in a surprise response to shareholder moves to oust Brian Cassidy, the company's chairman.

The company, founded in 1875, said it was requesting tenders for an agreed bid with a view to putting forward a recommended offer to shareholders. This would provide "an exit opportunity for all shareholders".

The board decided on the unusual course of action after considering a requisition for an extraordinary meeting by Brian Myerson, a South African investor, and Odile Griffith, financial representative of five members of the Stewart-Liberty family, descendants of the store's founder.

Mr Myerson and Ms Griffith want to be elected as non-executive directors to the Liberty board and are calling for the departure of Mr Cassidy.

Because Mr Myerson and Ms Griffith between them speak for 44 per cent of the shares, they are almost certain to see their motions passed at the EGM.

Ian Thomson, chief executive, said yesterday that the Liberty board was concerned that the EGM resolution was an attempt to gain control of Liberty without paying a takeover premium.

He added: "For that reason, we believe it's in the shareholders' interests to invite prospective purchasers of the company to make bids. That's done purely and simply because we believe that we have to represent the views of all of the shareholders in the company, not just 44 per cent of them."

Liberty also publicised two confidential approaches made by Mr Myerson to the board in June and July, when he had proposed restructuring the company. In June, he had proposed using a shell company to launch a takeover bid for Liberty. In July, he had suggested separating Liberty's retailing and wholesaling from its property, brand and licensing interests.

The company said neither plan would have benefitted the business – and that the Stewart-Liberty family holding would have been diluted.

Liberty's shares closed yesterday at 377½p, up 25p.

GKN considers joint venture with Vickers

By Charis Gresser

GKN may choose to stay in the armoured vehicles market by way of a joint venture with its larger rival Vickers, rather than sell the business outright, it was suggested yesterday.

GKN said yesterday: "Preliminary talks, with Vickers, amongst others, relating to possible restructuring of the armoured vehicle businesses have been under way for several months. These talks continue but remain preliminary in nature."

GKN described the talks as "wide-ranging", in which a joint venture "could be an option".

If GKN were to dispose of the business, however, it might command between £50m ($83m) and £100m, analysts said.

Vickers and GKN – which also owns the Westland helicopter business – are part of rival consortia bidding for two large orders: one for 3,400 multi-role armoured vehicles and the other for 1,600 reconnaissance vehicles.

A pooling of resources would enable both companies to benefit from orders in a market which is notoriously lumpy and suffers from overcapacity.

Many industry observers expect a deal between GKN and Vickers to herald yet more consolidation across Europe.

Sash Tusa, analyst at UBS, said: "The UK has got three and a half producers of armoured vehicles, and five manufacturing sites and the market can only support half that. There is a need to reduce overcapacity."

Last weekend GKN delivered the last of a £400m warrior combat vehicle order to Kuwait.

● Meanwhile Lazards, the merchant bank, will distribute shortly a memorandum of sale for Vickers' Rolls-Royce Motor Cars subsidiary to all "credible" potential buyers, a Vickers spokeswoman said last night.

The company continued to decline to identify individual interested parties but said "a reasonable number" of potential buyers had emerged following the sale announcement.

Shareholders approve latest refinancing plan

Skanska backs Costain rescue

By Andrew Taylor, Construction Correspondent

Brendan Corr

Light at the end of the tunnel: John Armitt after the vote

Shareholders of Costain, the construction group, yesterday approved the company's latest refinancing plans, paving the way for the shares to be relisted on Friday.

Costain shares were suspended 12 months ago at 46p after the company ran into financial difficulties following an earlier rescue.

Long-suffering shareholders in the British construction group voted to support the latest plan to raise £47.5m ($78.85m) from a share sale, including debt conversion, which would leave Skanska, the Swedish construction group, with a 7.6 per cent stake.

Skanska, which is backing the rescue, has the option to increase its holding to 40 per cent over the next three years, which would then automatically trigger an outright bid for Costain.

Costain is offering existing holders one new share at 40p for every 1.59 held.

Following the sale Intria, the Malaysian construction group, will reduce its stake from 40 per cent to 37 per cent.

Kharafi, a Kuwaiti-based construction company will reduce its stake from 25 to 19.7 per cent, and Raymond of Saudi Arabia will reduce its holding from 12 to 7.6 per cent.

Costain's bankers also are underwriting part of the issue which would leave them with a 15.2 per cent stake in return for converting £19m of debt.

Mr John Armitt, Costain's chief executive, said: "The vote [by shareholders] demonstrates the continued confidence of our major shareholders in the company."

The financial reconstruction will leave Costain with shareholders' funds of £26m and net cash of £58.6m.

ABF sets sights on Dalgety sell-offs

By Alison Maitland

Associated British Foods is interested in buying Dalgety's ingredients division and has had inconclusive talks about its animal feeds business, Garry Weston, chairman, said yesterday.

Dalgety said in September that it wanted to sell its ingredients and US food distribution divisions as part of its restructuring, but did not put the feeds business up for sale. Analysts say the price tag on the two divisions could be about £350m ($581m), with food ingredients accounting for £250m-£300m.

Mr Weston's comments came as he reported a 10 per cent rise in pre-tax profits from continuing businesses, to £401m, for the year to September 13. However, pre-tax profits on ordinary activities included the gain on the sale of the Irish supermarket chains to Tesco in March and increased investment income. This bumped them up from last year's £430m to £850m. The Tesco deal added £639m to ABF's cash pile, taking it to £1.46bn.

Another potential target is BOCM Pauls, the animal feed subsidiary of Harrisons & Crosfield, expected to fetch £80m. But Mr Weston indicated the stock-market fall had yet to feed through into asking prices.

Group sales were £5.2bn, down 8.8 per cent. The strong pound cut profits by £39m, more than the £30m forecast at the interims.

ICI vows to fight Indian ruling

By Roger Taylor

Imperial Chemical Industries said yesterday it had not yet given up its fight to buy a 9 per cent stake in Asian Paints, India's largest paint company, despite a ruling against it from Indian Industry Ministry.

The chemicals giant confirmed it had received a letter from the ministry saying that its purchase of the stake could not be allowed without a resolution from the board supporting it. The board has made clear that it is opposed to ICI's interest in the company.

ICI said yesterday that this was not the end of the matter. It said was not selling its stake but planned to continue fighting the decision and was taking legal advice.

The case has caused considerable interest in India as a test case for how far foreign investors can go in buying strategic stakes in Indian companies without management support.

Its existing paint distribution operation in India is less than about one quarter the size of Asian Paints.

ICI bought the Asian Paints stake in August for £23m ($38.18m) from Kotak Mahindra Capital, the Bombay broker, which had purchased them from Atul Choksey, the former managing director of the company.

At the time, ICI said it hoped to start negotiations with the company over future co-operation and added that it was prepared to make a further investment in the company.

COMPANIES AND FINANCE: UK

Young executives set for Emap's top titles

By Christopher Price

Emap is set to announce a series of management changes which will confirm the ascendancy of a group of younger executives and bring to an end a period of boardroom unrest at the UK media group.

It is understood that Kevin Hand, currently head of the media group's French operations, will take over as the company's new chief executive, while Robin Miller, the current incumbent, will become non-executive chairman. The moves are likely to take effect when Sir John Hoskyns retires as chairman next July.

Mr Hand, 46, who joined Emap in 1983, went on to head the group's consumer magazine business and oversaw an increase in titles from 20 to 90 in six years. He was appointed to the board in 1989 and became managing director of the fledgling French consumer magazine operations in 1994.

A keen francophile, Mr Hand is known to want to increase Emap's continental European operations. Germany and France are likely to feature prominently in any expansion.

Two associates of Mr Hand – David Grigson, 42, the finance director, and Tom Maloney, 38, head of UK consumer magazines – are both likely to play a key role in fashioning group strategy.

Emap's position in France was greatly expanded last year when Emap paid £145m for three of the country's biggest-selling titles. The move made France the second biggest market for the group, accounting for a quarter of last year's £121m profits.

A six month row over corporate governance at the company came to a head last December with the departure of two non-executive directors.

The row also threw up the issue of who should succeed Sir John as chairman upon his retirement. This was partly clarified in February when David Arculus, then Emap's managing director, left to join United News and Media.

CSFB close to BZW deal

By Jane Martinson and Clay Harris

CSFB, the Swiss-American investment bank, appeared last night close to agreeing to buy BZW's equities and corporate advisory businesses.

The final discussions between CSFB and Barclays, BZW's parent, were understood to have focused on the money needed to lock in key BZW staff as well as the price of the deal. All three parties were taking part in talks last night.

One senior BZW executive said that since CSFB was the last remaining bidder "price is probably the least important of the two issues".

CSFB is expected to offer share options to BZW staff in an effort to keep them with the business. The negotiations are likely to have centred on how generous they should be.

CSFB is expected to offer stock options in line with those given to its own staff. This consideration prompted one BZW executive to suggest CSFB was unlikely to offer his staff large guaranteed bonuses.

CSFB, like the other potential bidders which have now dropped out, has been free throughout the process to sound out BZW staff. With a deal now appearing imminent, however, the potential buyer needed to make certain that staff were "smiling and not concealing their feelings", one adviser said.

Similarly, BZW staff were likely to be seeking assurances about the process and aftermath of integration.

One UK equity analyst said that staff on the equity research side felt more positive about a tie-up with CSFB. However, European analysts and traders felt far more threatened by the deal. "We're quite pro-CSFB," he said. "But I don't think the Euro side are that keen."

Bass to acquire Carlsberg brewery

By John Willman, Consumer Industries Editor

Bass yesterday consolidated its position as the UK's second largest brewer by buying Carlsberg-Tetley's brewery in the north of England.

The acquisition, for an undisclosed price, gives Bass 25 per cent of British brewing volume and doubles its capacity in Burton-on-Trent.

The company will close two smaller ale breweries unless buyers can be found. The cost of the closures would be about £25m ($40m), Bass said, of which £10m would be asset write-offs.

About 200 jobs will be lost following the closure of the two smaller breweries, but the deal should save the jobs of most of the 537 employees of the Burton brewery.

The deal is conditional on regulatory approval.

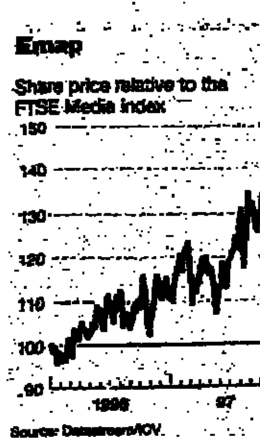
Carlsberg-Tetley also said that Carlsberg A/S, its Danish owner, would not be requiring Allied Domecq to take a stake in the British venture.

Carlsberg-Tetley also said it had negotiated a new agreement to supply beer and lager to Allied when the contract runs out in December.

Analysts speculated that the brewing and leisure group might have paid as much as £40m for the brewery, based on the value of the assets.

LEX COMMENT

Emap



Kevin Hand, Emap's chief executive designate, will face a nice but supremely difficult problem: how to maintain the media group's long record of outperformance. Its share price has trebled in the past five years. But, like many acquisitive groups, it has reached a size where bolt-on purchases can no longer deliver big jumps in earnings.

There is, of course, one acquisition that would be big enough to make a difference – IPC, Emap's main rival in UK consumer magazines, which has been put up for sale by Reed Elsevier. Emap, with its better record for magazine launches, ought to be able to revitalise the business. And the overlaps would present it with obvious cost-cutting and marketing gains. With a market value of about £1.8bn and little net debt, it could also afford IPC, even though the £700m-£1bn price tag dwarfs its biggest deal to date.

But the complexities would also be of a different order to Emap's previous deal-making. There would be competition problems: the pair are estimated to have about 30 per cent of the market. It could buy the lot and sell bits on. But that is not an easy route – as Granada Group's takeover of Forte has shown.

If Emap backs away from the bidding, it may well face a reinvigorated competitor in IPC under a new parent. Its other alternatives for expansion are based on replicating its success in the UK and France. But if it proceeds as carefully as it has in the past, the previously rapid earnings growth will inevitably slow.

BP buys French and Spanish stakes

By Robert Corzine

British Petroleum yesterday moved to "tidy up" minority shareholdings in its French and Spanish downstream oil operations.

BP said it had reached agreement with the GAN group in France to acquire its 6.5 per cent shareholding in BP France for FFr493m ($83.55m), or FFr180 a share.

BP Europe also gave notice to the French authorities that it intended to buy the remaining 357,000 shares of BP France that it did not own for the same price. The shares of BP France have been suspended on the Paris Stock Exchange. They will be delisted once the transaction is complete. BP last tried to buy out the minority stakes in BP France in 1993.

In Spain BP Oil Espana announced that it would launch an offer in December for the 6.63 per cent minority stake in the company. The offer will be priced at Pta8,200 ($55.4) a share, which is a 40 per cent premium against the last quoted price on the Madrid Stock Exchange and a 31 per cent premium over the average price for the past six months. Share dealings in BP Oil Espana were suspended last Friday.

BP described the two deals as "clearing up loose ends".

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ass. British Foods	Yr to Sept 13	5,203	(5,707)	850♥	(430♥)	75.6	(31)	5.75‡§§	Feb 23	5.25	15	9.5
Blacks Leisure	6 mths to Aug 31☆	52.6	(42.2)	5.31	(3.9♠)	10.89	(8.46)	1.75	Feb 3	1.25	-	4
Blakes Clothing Φ	6 mths to July 31★	4.3	(3.45)	0.177	(0.111♠)	1.39	(0.92)	-	-	-	-	-
Haemocell	6 mths to Aug 31	0.267	(0.248)	0.391L	(0.504L♠)	0.4L†	(1.8L)	-	-	-	-	-
London Securities	6 mths to June 30	0.931♦	(0.905)	0.469	(0.381)	6.8	(5.9)	nil	-	nil	-	2
Prowting	6 mths to Aug 31	79.1	(59.2)	6.78♠	(2.22)	6.4	(1.6)	2.1	Jan 12	1.9	-	4
Stratagem	Yr to Aug 31	158.7	(131.1)	4.46L♠	(3.03L)	14.4L	(8.4L)	2	Jan 2	2	4	4
Style Φ	6 mths to Aug 31	14.9	(10.9)	0.591	(0.461)	2.8†	(2.2)	-	-	-	-	-
Westmount Energy	Yr to June 30	0.382	(0.247)	0.15♥#	(0.08♥#)	1.4	(0.7)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Contra-Cyclical	6 mths to Sept 30☆	44.46	(33.59)	0.412	(0.409)	5.15	(5.11)	2.5‡	Nov 28	2.25	-	9.5
Murray Enterprise	Yr to Sept 30	151.8	(151.2)	0.706	(0.829)	2.9	(3.4)	2.1	Feb 6	2	3.1	2.825

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ☆Comparatives restated. ★Pro forma figures. ♦Net rental income. #Post-tax profit. ‡Second interim. §§Excludes special of 5p.

LEGAL NOTICES

No. 005170 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
COWIE GROUP PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 17 October 1997 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company standing at £277,400,000.

AND NOTICE IS FURTHER GIVEN that the Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 12 day of November 1997.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the reduction of the capital of the said Company should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 4 day of November 1997.

Dickinson Dees
Cross House
Westgate Road
Newcastle upon Tyne
NE99 1SB
Solicitors for the above-named Company

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Fax: 01877 331403

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- Profitable on turnover of £4 million.

Potential purchasers please reply to Box No. B5541 at Financial Times, 1 Southwark Bridge, London SE1 9HL.

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Financial Times
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London SE1 9HL

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T/O £220,000+

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Box B5000, Financial Times,
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London SE1 9HL.

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Financial Times,
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www.cybo.net/bsr

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The No. 1 independent listing of medium to large companies for sale in the UK (T/O £1m+). Also covers Europe + all UK receiverships. Nov '97 issue out now. For sub details:
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Financial Times
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on 01342 300188
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Coopers & Lybrand offer for sale this manufacturer of tools to the plastic injection moulding and pressure diecasting industries.

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For further information, please contact Elizabeth Couldwell of Coopers & Lybrand, Benson House, 33 Wellington Street, Leeds LS1 4JP.
Tel: 0113 289 4384. Fax: 0113 289 4469.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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The Joint Administrative Receivers offer for sale the assets and undertaking of this *well known manufacturer of static holiday* homes including the following features:

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BUSINESS advertisements appear elsewhere in this edition

CONTRACTS & TENDERS

Request for Expression of Interest for Design-Build Contracts

The Kowloon-Canton Railway Corporation (KCRC) invites expressions of interest from pre-qualifying contractors for the following design-build packages for Phase 1 of West Rail, a 30.5km, double-tracked, electrified railway system providing passenger services to Hong Kong's Northwest New Territories with a maintenance depot and 9 stations.

DESIGN-BUILD CONTRACT DB-320
Kwai Tsing Tunnels
This contract encompasses the design and construction of the tunnels (approximately 3,600m in length) from Ching Cheung Road in the south to Wing Shun Street in the north. The railway will proceed northwards from Ching Cheung Road through rock tunnels (approximately 1,700m) then transition to a cut-and-cover tunnel (approximately 680m) to pass below Kwai Chung Road and follow Kwai Fuk Road to Hing Fong Road. From there the alignment reverts to rock tunnels (approximately 1,100m) and finally to a cut-and-cover tunnel (approximately 120m). The work is planned to commence in late 1998 with construction to be completed by early 2002.

DESIGN-BUILD CONTRACT DB-350
Tai Lam Tunnel
This contract encompasses the design and construction of the tunnel (approximately 5,500m in length) beneath the Tai Lam Country Park. The railway will proceed from south of Castle Peak Road in Tsuen Wan to the northern portal in the Kam Tin Valley. The contract will include the development of the tunnel's southern and northern portals and a short section of line on an embankment to an interface with the West Rail Depot. The work is planned to commence in late 1998 with construction to be completed by late 2002.

Detailed descriptions of the scope of work activities and programme requirements will be included in the Qualification Questionnaire.

Requests for a Qualification Questionnaire should be made in English on company letterhead by facsimile to the Kowloon-Canton Railway Corporation, Attention: Procurement Manager at (852) 2601-2671. Requests for Qualification Documents received by the Corporation after 29 November 1997 may be too late for consideration.

KCRC will, at its sole discretion, evaluate responses to the Qualification Questionnaire. The tender documents will require parent company guarantees in respect of each entity. Tenderers will be required to provide a tender bond the value of which will be determined at a later date.

No communications in response to this advertisement will be accepted by KCRC except by facsimile at the above noted facsimile number.

This procurement activity is covered by the World Trade Organisation's Government Procurement Agreement.

Interested firms are advised that the construction of Phase I of West Rail will be subject to the approval of the Hong Kong Special Administrative Region Government around September 1998.

Additional information is also available on the Internet at the following address:
http://www.kcrc.com

KCR

West Rail

Qualification of Contractors Rolling Stock – Electrical Multiple Units

The Kowloon-Canton Railway Corporation ("KCRC") proposes to appoint, through pre-qualification and tendering, a contractor for Contract SP-1900, Rolling Stock – Electrical Multiple Units.

The Contract is for the design, supply, testing and putting into service of 250 EMU cars, for use on both the East Rail and West Rail systems. Delivery of the East Rail cars is expected to commence in June 2000 and the delivery of West Rail cars in May 2001.

More detailed descriptions of the work activities will be included in the Pre-Qualification Questionnaire.

East Rail is an existing passenger system operating between Kowloon and Lo Wu. It is a double-tracked, 25kV electrified railway system with a route length of 34 km. The system has 13 stations and one maintenance depot.

West Rail Phase 1 Passenger System will be a 30.5 km, double-tracked, electrified railway system, with a maintenance depot and up to 9 stations.

Requests for a Pre-qualification Questionnaire should be made on company letterhead by facsimile to the Kowloon-Canton Railway Corporation, Attention: Procurement Manager at (852) 2601-2671 in the English language. Requests for Questionnaires must be received by the Corporation by 6:00pm on 1 December 1997 Hong Kong Time.

KCRC will, at its sole discretion, evaluate responses to the Pre-qualification Questionnaires. Those organisations which KCRC determines to be suitably qualified will be invited to tender. The tender documents will require the provision of a performance bond/bank guarantee.

No communications in response to this advertisement will be accepted by KCRC except by facsimile at the above noted facsimile number.

This Procurement activity is covered by the World Trade Organisation Government Procurement Agreement.

Interested firms are advised that the ultimate placement of orders for East Rail system EMU cars is subject to the approval of the Managing Board of KCRC.

Interested firms are advised that the construction of Phase I of West Rail will be subject to the approval of the Hong Kong Special Administrative Region Government around September 1998.

Additional information is also available on the Internet at the following address:
http://www.kcrc.com

KCR

INTERNATIONAL CAPITAL MARKETS

Short-dated rally goes into reverse

GOVERNMENT BONDS

By Simon Davies and James Wilson in London, and John Labate in New York

Government bond markets weakened further yesterday as the recovery in world equity markets continued. The rally in short-dated bonds that accompanied last week's volatile stock market conditions went into reverse, but activity in most markets was relatively quiet, with trading in a narrow range.

US TREASURIES began the week under pressure from several fronts, as equity markets around the globe recovered somewhat from last week's weakness.

By early afternoon the benchmark 30-year bond was $\frac{9}{32}$ lower at 102¾, yielding 6.194 per cent. The 10-year note was down ¼ to 101$\frac{11}{32}$, yielding 5.886 per cent, while the two-year note lost $\frac{1}{32}$ to 99$\frac{29}{32}$, yielding 5.658 per cent.

Continuing the trend from last week, in which bond prices moved inversely to equities, bonds sank as the Dow Jones Industrial Average was more than 100 points higher throughout the morning. As other stock markets recovered, US Treasuries encountered further selling pressure.

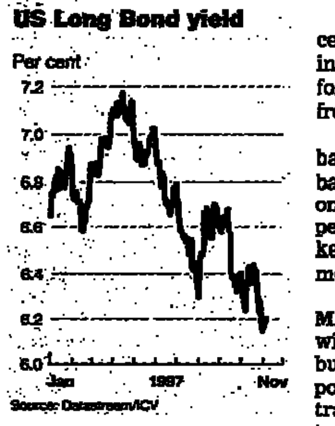
"We're continuing to respond to developments in the global equity arena," said Kevin Flanagan, money market economist at Dean Witter Securities.

Adding further downside pressure were the forthcoming auctions of Treasury bills and notes this week, adding new supply to a still unsteady market.

A survey of business activity by the National Association of Purchasing Management showed its index rose to 56 for October, a slightly stronger reading than was expected. In separate reports, personal income in September was shown to have risen 0.4 per cent while construction spending fell 1.1 per cent.

UK GILTS edged lower, encouraged by a higher than expected increase in the CIPS' purchasing managers index. Andrew Bevan, senior bond economist at Goldman Sachs, said: "We have to get back to wondering whether we will get a base rate increase on Thursday."

US Long Bond yield



Source: Datastream/ICV

The consensus remains that the Bank of England's monetary policy committee is more likely to move on rates in December. Mr Bevan added: "A rate increase this week would have some shock value, but I don't think it would shake the market's conviction that we're not far from the peak."

The December contract fell $\frac{3}{32}$ to 118$\frac{13}{32}$ on volume of just 38,000 contracts, after the busiest month ever on the London International Financial Futures and Options Exchange in October, with 25.7m contracts traded.

However, inflationary concerns were partially offset by increasing signs of support for British entry into Emu from Germany.

Hans Tietmeyer, Bundesbank President, yesterday backed the idea that a seat on the board of the European Central Bank should be kept for late Emu entrants – most likely, the UK.

Gilts outperformed GERMAN BUNDS on the day, with the yield spread against bunds narrowing by 1 basis point to 107 points. Bunds traded cautiously, with a trading range in the December future of just 0.37. The contract settled at 102.45, down 0.37.

"The market is trading off equities, and we have seen some curve flattening today," said a trader.

Attention remained focused on the US equity and Treasury markets, but there was also concern about further monetary tightening in Europe.

Don Smith, international economist at HSBC Markets, said: "We think the market is being too gloomy about interest rates in Europe. The market is assuming that rates will converge at around 3.75 per cent for Emu, but we think rates will be held back by the economic weakness in Germany and France."

ITALIAN BTPs bucked the trend, spurred on by government progress on its long-awaited pension reforms. The December contract settled 0.08 points higher at 111.66 and the yield spread against bunds narrowed from 69 to 63 basis points.

Luca Jellinek, bond strategist at Paribas, said: "The market came back from the weekend with a deal on pension reform. It was the final element in terms of fiscal policy vis-à-vis Italy going into Emu and I think the market reacted very well.

"The widening in spreads has been on the back of market volatility world-wide. If people believe that Italy will make it into Emu – and this deal was crucial in the process – then there is no reason why we cannot go back to the spreads of a week ago."

Investors also remain confident that the Bank of Italy will cut interest rates by the end of the year.

Croatia may delay offering in Pliva

By Vincent Boland

The government of Croatia is due to decide in the next couple of days whether to proceed with an international offering of shares in Pliva, the country's main pharmaceuticals group.

Sources close to the offering said yesterday the government was poised either to set an offer price for the secondary issue or to delay it until stock markets settled down further after last week's turmoil.

The share issue was originally due to be priced yesterday.

If the government proceeds with the offering, a price is likely to be set early this week. Indications at the time of the issue's launch last month, before global stock markets were hit by a wave of instability, suggested the offer could be valued at up to $280m.

Shares in Pliva dived sharply on the Zagreb stock market in line with other bourses during the turmoil, however, and have only partly recovered.

If the government decided to postpone the offering, it would only be a temporary measure to allow for a more settled market environment, the sources said.

Demand for the Pliva issue, which would see the state effectively selling all its remaining 14 per cent stake in the company, is understood to be strong, but the climate for new issues from emerging markets has deteriorated in the past 10 days.

Several bond issues from eastern Europe have been postponed, while Bonton, a Czech entertainment group, postponed an initial public share offering.

CAPITAL MARKETS NEWS DIGEST

Central American bonds postponed

El Salvador and Costa Rica have postponed debut eurobond offerings in the light of continued market volatility. They had been set to follow other eurobond debuts from Central America this year – Guatemala issued $150m of 10-year bonds in July and Panama launched $500m of five-year bonds in February.

After last week's turbulence in the markets, El Salvador chose to delay its planned $200m debut, while Costa Rica's maiden issue was also put on hold. However, Jeff Lubin, director of the emerging markets syndicate at CSFB, lead manager of Costa Rica's deal, said it was still possible that the $200m five-year offering would be made this year. "We will make a decision day-by-day," he said.

Yield spreads have widened considerably on Central American paper in the past week. Panama's five-year bond, issued at a spread of 175 basis points over US Treasuries, ended last week at 340–350 points. Similarly, Guatemala's $150m of 10-year bonds were yielding 340 basis points more than Treasuries last Friday, 100 points wider than the launch spread.

However, Stephen DeSalvo, managing director for emerging markets at BankBoston, lead manager of the Panamanian and Guatemalan issues, said: "We remain very bullish about the fundamentals within the region."

James Wilson

■ MUTUAL FUNDS

Islamic investors targeted

Citi Islamic Investment Bank, a subsidiary of Citicorp of the US, is launching a Luxembourg-listed mutual fund aimed at Islamic investors. Two global equity portfolios, one each for institutions and retail investors, will be structured to enable Islamic investors to participate in world equity markets while investing only in companies meeting Islamic parameters established by the funds' own Sharia advisory board – whose role is to ensure compliance with Islamic practices.

Stock selection will exclude companies with primary businesses related to liquor, pork, gambling, tobacco and financial services, among other criteria. The fund aims to raise $100m initially. The global market for Islamic banking is estimated at about $80bn.

Samer Iskandar

■ GLOBAL LIQUIDITY FUNDS

Launch by ABN Amro unit

ABN Amro Asset Management, the UK fund management arm of the Dutch bank, is launching a range of global liquidity funds – a low risk alternative to cash deposits.

The funds will allow free switching between US dollars, sterling, D-Marks, French francs and Dutch guilders. Unlike cash deposits, global liquidity funds do not have to be held for a pre-determined period. The funds aim to achieve returns in excess of one-week deposit rates on the interbank market.

Samer Iskandar

Emerging market issues gain ground

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Bond syndicates spent the quietest session of the year yesterday wondering whether the market would pick up before the year-end. In the secondary markets emerging market bonds regained some ground but on low trading volumes.

J. P. Morgan's emerging market bond index rallied mildly, with average spreads tightening by about 30 basis points to 565 points by mid-afternoon in New York. Traders said there were some signs that the higher-yielders, including Bulgaria and Brazil, had benefited more than most.

But few were confident enough to predict a revival in the primary market before January.

"We're wondering whether this is the calm before the next storm or whether this is the morning after," said a syndicate head at a US investment bank. "I suspect that if it's the morning after, it's going to be a very long morning."

One banker said it would take months before emerging market spreads could begin to compete again with spreads on high-yield corporate bonds in the US market.

"A lot of investors have been psychologically scarred by this experience," said an official. "But in the medium-term they'll be back: US interest rates are probably going to stay where they are, so the search for yield will remain imperative."

While analysts believe it unlikely that emerging market spreads will tighten again to their recent records, a majority have turned more bullish and IBCA, the European rating agency, yesterday issued an upbeat report on Asian borrowers.

While conceding that investors' concerns about liquidity were legitimate, IBCA said fears of long-term insolvency were misplaced.

Its optimism is mainly based on the soundness of fiscal policy in most Asian countries, as well as the flexibility of their economies.

In the worst case scenario, IBCA said, the potential cost of bailing out Korea's banking system would be in the region of 10 per cent of gross domestic product. Even if such an event doubled the country's public debt to around 20 per cent of GDP, Korea would remain less indebted than any member of the European Union.

IBCA also said the risk that the Hong Kong dollar would be dislodged from its peg against the US dollar was minimal.

Every note and coin in Hong Kong is backed by at least an equivalent amount of dollar-denominated reserves at an exchange rate of HK$7.80.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 3	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.7169	4.82	+0.09	-0.08	+0.21	-1.54
	10/07	10.000	129.0030	6.03	+0.09	+0.02	-	-1.35
Austria	09/99	7.000	104.2500	4.57	+0.07	-0.05	+0.31	+0.88
	07/07	5.625	99.5800	5.68	+0.03	-0.02	+0.23	-0.37
Belgium	04/99	7.000	103.6100	4.40	+0.05	-0.07	+0.32	+0.94
	03/07	6.250	103.3300	5.78	+0.04	-	+0.29	-0.33
Canada*	03/99	4.000	100.0600	3.95	+0.03	+0.14	+0.19	-0.13
	06/07	7.250	112.5500	5.52	+0.05	+0.07	+0.02	-0.80
Denmark	12/99	6.000	102.2700	4.83	+0.04	-0.08	+0.27	+0.39
	11/07	7.000	106.0400	6.17	+0.02	+0.03	+0.24	-0.72
Finland	01/99	11.000	107.5270	4.35	-0.03	+0.07	+0.28	+0.38
	04/06	7.250	109.5630	5.78	-0.03	-0.04	+0.26	-0.77
France	11/99	7.000	104.8200	4.40	+0.04	-0.07	+0.30	+0.57
	10/04	6.750	108.0600	5.33	+0.05	-0.03	+0.25	-0.14
	10/07	5.500	98.8300	5.64	+0.05	-0.03	+0.25	-0.32
	10/25	6.000	96.7200	6.25	+0.05	+0.02	+0.24	-0.58
Germany	06/99	3.500	98.8400	4.25	+0.05	-0.08	+0.32	+0.64
	07/04	6.750	107.7700	5.33	+0.05	-0.07	+0.25	-0.30
	07/07	6.000	102.6600	5.63	+0.05	-0.05	+0.23	-0.32
	07/27	6.500	103.2300	6.25	+0.04	-0.01	+0.22	-0.56
Ireland	04/99	6.250	101.0600	5.40	-	-0.08	+0.01	-0.97
	08/06	8.000	112.6300	6.10	+0.04	+0.01	+0.23	-0.92
Italy	05/00	6.000	101.4300	5.38	-0.04	-0.06	+0.10	-1.64
	06/02	6.250	102.2700	5.67	-0.01	-0.03	+0.15	-1.68
	07/07	6.750	104.2900	6.15	-0.02	-0.01	+0.14	-1.98
	11/26	7.250	107.4800	6.66	-0.02	+0.03	+0.06	-2.07
Japan	06/99	4.800	106.9600	0.46	-0.02	-0.01	-0.04	-0.36
	12/02	4.800	117.5900	1.24	-	-0.03	-0.13	-0.63
	09/05	3.000	109.6700	1.68	-	-0.04	-0.17	-0.84
	03/17	3.500	115.7600	2.47	-	-0.07	-0.23	-0.78
Netherlands	06/99	7.500	104.7500	4.35	+0.03	-	+0.27	+0.72
	02/07	5.750	101.0200	5.60	+0.04	-0.04	+0.23	-0.26
New Zealand	02/00	6.500	99.0947	6.92	+0.06	-0.12	+0.23	+0.02
	11/06	8.000	108.9086	6.65	+0.13	-0.10	+0.11	-0.61
Norway	01/99	9.000	105.2200	4.53	+0.03	+0.01	+0.36	-0.85
	01/07	6.750	106.4900	5.81	+0.01	+0.03	+0.22	-0.98
Portugal	03/99	8.500	104.3500	5.12	+0.08	+0.01	+0.23	-1.53
	02/07	6.625	104.0200	6.04	+0.02	+0.01	+0.20	-1.51
Spain	07/99	7.400	104.0483	4.88	+0.04	-0.05	+0.21	-1.79
	03/07	7.350	109.2865	6.02	+0.04	+0.04	+0.28	-1.76
Sweden	01/99	11.000	106.6780	5.12	+0.04	-0.04	+0.38	-0.30
	08/07	8.000	111.3240	6.40	+0.03	+0.02	+0.45	-1.05
Switzerland	03/99	4.000	102.5500	2.05	+0.03	-0.12	+0.41	+0.40
	06/07	4.500	107.1200	3.61	+0.04	+0.01	+0.21	-0.29
UK	08/99	6.000	98.5313	6.89	+0.05	-0.04	+0.09	+0.29
	11/04	6.750	100.7500	6.61	+0.03	-	+0.38	-0.85
	12/07	7.250	104.8750	6.58	+0.04	+0.02	+0.39	-1.04
	06/21	8.000	117.9063	6.50	+0.03	+0.02	+0.23	-1.44
US*	07/99	5.875	100.2270	5.73	+0.09	+0.11	+0.01	-0.04
	05/04	7.250	107.2340	5.90	+0.08	+0.02	-0.09	-0.21
	08/07	6.125	101.6880	5.89	+0.06	-0.01	-0.11	-0.49
	08/27	6.375	102.3280	6.20	+0.05	-0.03	-0.11	-0.48
ECU	03/99	5.000	100.3400	4.71	+0.04	-0.04	+0.23	+0.41
	04/07	5.500	97.8700	5.79	+0.03	-0.04	+0.22	-0.57

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 3	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.03	+0.40	-0.11
Austria	5.68	+0.05	-0.24
Belgium	5.78	+0.15	-0.14
Canada	6.52	-0.11	-0.40
Denmark	6.17	+0.54	+0.25
Finland	5.81	+0.18	-0.11
France	5.64	+0.01	-0.28
Germany	5.63	-	-0.29
Ireland	6.09	+0.46	+0.17
Italy	6.15	+0.52	+0.23
Japan	1.68	-3.95	-4.24
Netherlands	5.60	-0.03	-0.32
New Zealand	6.65	+1.02	+0.73
Norway	5.81	+0.18	-0.11
Portugal	6.04	+0.41	+0.12
Spain	6.02	+0.39	+0.10
Sweden	6.40	+0.77	+0.48
Switzerland	3.60	-2.03	-2.32
UK	6.58	+0.95	+0.66
US	5.92	+0.29	-
ECU	5.79	+0.16	-0.13

Source: Interactive Data/FT Information London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 3	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	95.5270	8.25	+0.07	+1.00	+2.47
Poland	07/00	7.750	BBB-	103.3586	6.33	-0.05	+0.04	+0.59
Russia	11/01	9.250	BB-	95.6998	10.60	-0.24	+2.55	+4.84
■ LATIN AMERICA								
Argentina	01/17	11.375	BB	94.9084	12.05	+0.56	+2.78	+6.00
Brazil	11/01	8.875	BB-	100.5366	8.71	+0.06	+1.00	+2.95
Mexico	01/07	9.875	BB	98.6451	9.93	+0.54	+1.53	+4.01
■ ASIA								
China	07/06	7.750	BBB+	101.8873	7.44	-0.03	+0.55	+1.55
Philippines	10/16	8.750	BB+	88.0094	10.10	+0.22	+1.58	+4.16
Thailand	04/07	7.750	A-	88.8820	8.94	+0.06	+2.05	+4.02
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.7634	7.93	+0.06	+0.33	+2.19
South Africa	12/06	8.625	BB+	105.2291	6.91	-0.71	-0.29	+1.23
Turkey	05/02	10.000	B	97.7977	10.62	+0.46	+2.27	+4.84
■ BRADY BONDS								
Argentina	03/23	5.500	BB	68.2187	9.50	+0.59	+1.49	+3.37
Brazil	04/24	5.250	BB-	67.1753	9.24	+0.04	+0.97	+3.10
Mexico	12/19	6.250	BB	81.8727	8.01	+0.04	+0.33	+1.94
Venezuela	03/20	6.750	B+	83.1949	8.43	+0.04	+0.69	+2.34

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.92	98.68	-0.30	98.94	98.66	58,039	105,843
Mar	98.20	98.14	-0.32	98.40	98.14	1,238	8,874
Jun	97.96	97.72	-0.30	97.96	97.96	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Mar
97	1.80	-	-	0.13	-	0.75
98	0.99	0.86	1.26	0.32	0.72	1.13
99	0.41	-	0.79	0.73	-	1.64
100	0.12	-	0.44	1.44	-	-
101	0.03	0.05	0.22	2.34	-	-

Est. vol. total, Calls 16,820 Puts 11,208. Previous day's open int., Calls 72,180 Puts 93,533.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.69	102.45	-0.37	102.69	102.32	142609	269743
Mar	101.78	101.73	-0.38	101.78	101.65	993	11090

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
10200	0.76	0.65	0.87	1.02	0.31	0.92	1.14	1.29
10250	0.47	0.45	0.65	0.80	0.52	1.22	1.42	1.57
10300	0.26	0.29	0.48	0.62	0.81	1.56	1.75	1.89

Est. vol. total, Calls 10582 Puts 22716. Previous day's open int., Calls 234719 Puts 271003

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.66	103.58	-0.24	103.71	103.48	92,407	282,863
Mar	102.98	102.84	-0.26	102.98	102.82	3,420	27,007

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.60	111.66	+0.08	111.79	111.53	25868	110393
Mar	111.76	111.73	+0.10	111.77	111.76	400	1578

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11150	0.61	1.49	0.45	1.26
11200	0.36	1.26	0.70	1.53
11250	0.20	1.03	1.04	1.80

Est. vol. total, Calls 7697 Puts 3187. Previous day's open int., Calls 130035 Puts 123665

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.20	103.09	-0.26	103.29	102.98	39,654	87,412
Mar	-	102.54	-	-	-	-	50

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118-18	118-13	-0-10	118-16	118-06	37812	182575
Mar	118-19	118-25	-0-04	118-26	118-15	2886	37830

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
118	1-01	1-43	2-01	2-21	0-39	0-57	1-15	1-35
119	0-34	1-09	1-30	1-49	1-08	1-23	1-44	1-63
120	0-16	0-45	1-03	1-21	1-54	1-59	2-17	2-35

Est. vol. total, Calls 1047 Puts 575. Previous day's open int., Calls 70057 Puts 26925

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.00	97.80	-0.22	98.00	97.70	34	5,939

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	118-13	117-24	-0-23	118-13	117-21	432,832	606,842
Mar	117-26	117-14	-0-23	117-26	117-13	3,667	74,714
Jun	117-09	117-09	-0-16	117-09	117-09	308	11,711

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	130.50			130.72	130.42	899	na
Mar	129.77			129.81	129.77	168	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Nov 3	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.1308	6.21	+0.01	-0.10	+0.50
NY Tel	08/25	7.00	A+	98.4470	7.12	-0.02	-0.08	+0.98
CWE	05/08	8.00	BBB	108.9431	6.79	-0.01	-0.12	+0.97
■ FINANCIALS								
GECC	05/07	8.75	AAA	116.8521	6.36	-0.01	-0.15	+0.54
Banc One	08/02	7.25	A+	104.0563	6.24	-	-0.13	+0.53
US West	01/07	7.30	BBB+	102.7834	6.88	-0.01	+0.03	+1.06
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	100.0090	6.23	-0.01	+0.14	+0.63
Wal Mart	05/02	6.75	AA	102.2621	6.16	+0.01	-0.09	+0.45
Dayton Hud	06/21	9.70	BBB+	127.9224	7.21	-0.02	-0.07	+1.07
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.3030	6.10	-0.01	-0.21	+0.28
SLMA	03/00	7.50	N/A	103.7093	5.78	+0.01	-0.11	+0.11
FNMA	02/18	8.95	N/A	126.9702	6.53	-0.01	-0.17	+0.39
FFCB	06/06	8.95	N/A	118.7382	6.10	-0.01	-0.17	+0.28
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.7500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	104.0000	0.00	-	-	-
Pacalta	06/04	10.75	B-	98.0000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.68
Prime rate	8½	Two month	-	Three year	5.75
Broker loan rate	7¼	Three month	5.25	Five year	5.78
Fed.funds	5$\frac{11}{16}$	Six month	5.36	10-year	5.89
Fed.funds at intervention	5½	One year	5.40	30-year	6.20

INTERNATIONAL BONDS

Nov 3	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	100.1700	5.72	+0.07	+0.26	+0.09
Spain	01/07	5.750	AA	99.7200	5.79	+0.04	+0.29	+0.16
Philip Morris	03/04	5.375	A	98.1000	5.73	+0.07	+0.22	+0.40
ABN Amro FRN	03/06	3.825	n/a	99.5830	5.80	+0.05	+0.23	+0.13
■ EURO FFR								
Austria	01/04	5.500	AAA	100.5500	5.39	+0.05	+0.34	+0.06
Abbey Nat	02/04	6.000	AA	102.8500	5.45	+0.08	+0.32	+0.12
Cred Foncier	02/04	9.125	A	117.2600	5.76	+0.05	+0.39	+0.43
Abbey Nat FRN	09/06	4.510	AAr	100.2438	4.48	+0.06	+0.26	-1.05
■ EURO LIRA								
EIB	02/07	7.000	AAA	106.7000	6.03	-0.01	+0.02	-0.12
Abbey Nat	02/02	6.800	AA	103.8500	5.75	-0.02	+0.15	-0.05
Walt Disney	06/00	8.625	A	106.6800	5.79	-0.03	+0.05	+0.36
Abbey Nat FRN	03/07	8.000	AAr	101.5378	7.55	-0.09	+0.80	+1.40
■ EURO £								
EIB	12/07	7.625	AAA	105.0515	6.91	+0.04	+0.46	+0.33
Dresdner Bk	12/07	7.750	AA	104.1167	7.16	+0.04	+0.32	+0.56
RBS	01/07	8.375	A+	106.2374	7.41	+0.06	+0.40	+0.83
Abbey Nat FRN	02/02	7.400	AA	99.9373	6.69	+0.02	+0.33	+0.02
■ EURO $								
EIB	04/07	7.250	AAA	106.2031	6.35	+0.06	+0.01	+0.43
ABN Amro	06/07	7.125	AA-	103.0385	6.69	+0.12	+0.12	+0.77
Quebec	01/07	7.000	A+	102.3029	6.66	+0.07	+0.10	+0.74
Citicorp FRN	02/04	5.781	A+	99.2725	5.92	+0.09	+0.29	+0.06
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.4330	5.76	+0.03	+0.25	+0.15
Toronto	05/04	8.500	AA+	115.0267	5.68	+0.02	+0.12	+0.07
Bell Canada	07/99	10.625	A+	108.9429	4.95	+0.03	+0.39	+0.09
Deutsche B FRN	09/02	5.875	AAA	102.0869	5.38	+0.04	+0.25	-0.05
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.4500	1.14	-0.01	-0.03	+0.05
Spain	03/02	5.750	AA	119.3500	1.19	-	-0.05	+0.10
Cred Foncier	08/02	4.750	A	114.4146	1.58	-	-0.10	+0.49
Italy FRN	07/99	0.594	AA	100.4328	0.26	-	+0.12	-0.22

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Nov 3	Day's change %	Fri Oct 31	Accrued interest	xd adj. ytd		Low coupon yield Nov 3	Oct 31	Yr. ago	Medium coupon yield Nov 3	Oct 31	Yr. ago	High coupon yield Nov 3	Oct 31	Yr. ago
1 Up to 5 years (19)	119.97	-0.08	120.07	2.36	8.87	5 yrs	6.62	6.58	7.22	6.74	6.70	7.27	6.77	6.73	7.32
2 5-15 years (20)	157.79	-0.22	158.14	3.47	9.03	15 yrs	6.56	6.52	7.83	6.57	6.53	7.82	6.63	6.60	7.85
3 Over 15 years (4)	189.48	-0.40	190.24	4.22	9.77	20 yrs	6.56	6.52	7.93	6.55	6.51	7.90	6.63	6.60	7.92
4 Irredeemables (4)	229.90	-0.43	230.89	5.07	9.50	Irred.†	6.64	6.61	7.97						
5 All stocks (47)	150.79	-0.21	151.11	3.20	9.30										

Index-linked							Inflation 5% Nov 3	Oct 31	Yr. ago	Inflation 10% Nov 3	Oct 31	Yr. ago
6 Up to 5 years (2)	210.75	-0.05	210.85	0.54	6.09	Up to 5 yrs	3.16	3.14	3.17	2.46	2.43	2.52
7 Over 5 years (10)	214.64	-0.19	215.04	1.52	5.21	Over 5 yrs	3.11	3.10	3.60	2.91	2.89	3.40
8 All stocks (12)	213.16	-0.17	213.53	1.42	5.26							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 3	Oct 31	Oct 30	Oct 29	Oct 28	Yr ago	High*	Low*
Govt. Secs. (UK)	99.92	100.19	100.09	99.81	99.82	100.90	101.83	93.31
Fixed Interest	132.54	132.92	132.78	132.40	132.79	98.60	133.54	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

مكبر من الاصل

CURRENCIES AND MONEY

Dollar recovers with stock markets

MARKETS REPORT

By Simon Kuper

The dollar and most emerging markets currencies rose yesterday as the world's stock markets experienced another day of recovery from last week's fall.

The $30bn-$40bn international economic rescue package for Indonesia impressed Asian markets, and Hong Kong's Hang Seng stock index rose nearly 6 per cent. That set off a virtuous cycle in stock markets around the world, and money flowed back out of last week's safe haven currencies, the D-Mark and the Swiss franc.

The D-Mark suffered further after Hans Tietmeyer, Bundesbank president, and Ernst Welteke, one of the bank's council members, suggested that European interest rates would rise less sharply than the market had expected in the run-up to European monetary union.

Mr Tietmeyer said the reason for the recent rise in the German repo rate to 3.30 per cent was to avert inflation. There was no need to raise rates simply to achieve convergence ahead of Emu. Mr Welteke, a known dove, said that at the start of Emu rates were more likely to be about 3.5 per cent than 4.2 per cent, the latter being more or less the present European average.

The market shrugged off a strong reading in the US National Association of Purchasing Management's industrial activity index for October. The NAPM's price index rose for the fourth month in a row.

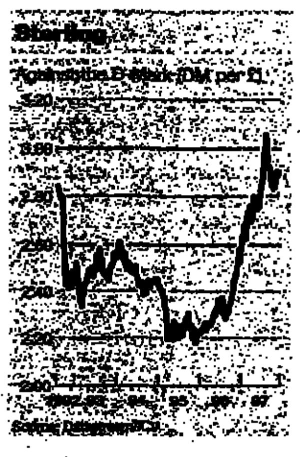
In London trading yesterday the dollar rose 1.5 pfennigs against the D-Mark to DM1.736, 1.9 centimes against the Swiss franc to SFr1.415, and Y0.5 against the yen to Y120.8. The yen fell after Sanyo Securities became the first Japanese brokerage since the war to file for bankruptcy protection. That revived fears for Japan's financial sector.

The pound rose 2.6 pfennigs to DM2.912, buoyed by the dollar and by a strong UK purchasing managers' index for October. The PMI showed that Europe's economic recovery was starting to relieve UK exporters hit by the strong pound.

The Indonesian rupiah soared from Rp 3605 against the dollar to Rp 3190/3220. Attacks on the Brazilian and Greek currency pegs eased.

■ Currency strategists noted that the dollar has recovered by less than global stock markets in recent days. Rob Hayward, economist at Bank of America in London, said: "People are still nervous that we can come back tomorrow morning and find that the Brazilian market has dragged the US market down another couple of hundred points."

But Marc Chandler, senior currency economist at Deutsche Morgan Grenfell in New York, said that the forex market might soon be able to give up its week-long tracking of equities.



■ The UK apparently plans to join Emu in about 2002. But it has no intention of re-entering Emu's antechamber, the European exchange-rate mechanism, Gordon Brown, the chancellor, said this weekend.

Mr Tietmeyer responded yesterday that if the UK wanted to join Emu, "it must have participated in the ERM for two years."

Currency strategists say there could be a compromise whereby the UK keeps the pound stable before entry, but does not rejoin the ERM, an acronym with unhappy memories for British voters.

However, even if the UK does manage to stay out of the ERM, merely keeping its currency stable around its Emu entry rate could entail the pound moving sharply beforehand. Sterling is expected to join Emu at an exchange rate below its present level. The pound could therefore fall to that level as early as 1999, when ERM Mark II is expected to start.

Mr Brown on Sunday also repeated a puzzling statement he had made in the spring. "I want a strong, competitive pound over the medium term," he said. Most economists think you can have a strong pound or a competitive pound, but not both at the same time.

Initially, his comment boosted the pound, as traders fixed on the word "strong". But the Treasury said later that sterling policy had not changed. The phrase "strong, competitive pound" seems to be Mr Brown's way of saying that he wants the pound to fall but then to remain stable at a lower level.

■ Pound in New York

Nov 3	—Latest—	— Prev. close —
£ spot	1.6770	1.6735
1 mth	1.6749	1.6713
3 mth	1.6705	1.6671
1 yr	1.6525	1.6491

■ OTHER CURRENCIES

Nov 3	£	$
Czech Rp	55.2122 - 55.3122	32.9330 - 32.9730
Hungary	327.320 - 327.598	195.240 - 195.290
Iran	5032.50 - 5029.50	3000.00 - 3000.00
Kuwait	0.5076 - 0.5085	0.3029 - 0.3031
Poland	5.7521 - 5.7656	3.4310 - 3.4370
Russia	9883.03 - 9892.28	5901.00 - 5903.00
U.A.E.	6.1574 - 6.1615	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Nov 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.4922	+0.1783	825 - 019	20.5259	20.3812	20.4307	3.6	20.3133	3.5	19.8816	3.0	102.5
Belgium	(BFr)	60.0702	+0.5276	187 - 216	60.1320	59.7220	59.9013	3.4	59.5577	3.4	58.2923	3.0	102.2
Denmark	(DKr)	11.0825	+0.0973	775 - 874	11.0984	11.0171	11.0509	3.4	10.9923	3.3	10.7806	2.6	104.5
Finland	(FM)	8.7405	+0.0755	337 - 473	8.7540	8.6970	8.7127	3.8	8.6627	3.6	8.4927	2.8	81.4
France	(FFr)	9.7400	+0.0877	354 - 446	9.7686	9.6970	9.7095	3.8	9.6505	3.7	9.4415	3.1	105.6
Germany	(DM)	2.9115	+0.0253	102 - 128	2.9174	2.8950	2.9025	3.7	2.8851	3.6	2.8229	3.0	103.3
Greece	(Dr)	456.295	+0.153	042 - 548	459.657	454.606	457.773	-3.9	460.305	-3.5	470.082	-3.0	65.7
Ireland	(I£)	1.1227	+0.008	216 - 237	1.1244	1.1172	1.1219	0.9	1.1197	1.1	1.1056	1.5	97.3
Italy	(L)	2851.66	+17.45	988 - 343	2857.28	2838.69	2850.73	0.4	2846.78	0.7	2809.57	1.5	76.1
Luxembourg	(LFr)	60.0702	+0.5276	187 - 216	60.1320	59.7220	59.9013	3.4	59.5577	3.4	58.2923	3.0	102.2
Netherlands	(Fl)	3.2781	+0.0237	767 - 795	3.2871	3.2650	3.2676	3.8	3.2479	3.7	3.1781	3.1	101.5
Norway	(NKr)	11.8456	+0.1063	403 - 509	11.8737	11.7231	11.8112	3.5	11.7502	3.2	11.5275	2.7	99.0
Portugal	(Es)	297.097	+2.398	925 - 270	298.847	294.940	296.656	1.8	295.61	2.0	290.447	2.2	91.9
Spain	(Pta)	245.882	+2.128	725 - 039	246.310	244.660	245.457	2.1	244.559	2.2	240.286	2.3	77.0
Sweden	(SKr)	12.6725	+0.1222	628 - 821	12.6824	12.5864	12.6482	2.8	12.5882	2.6	12.4231	2.0	86.0
Switzerland	(SFr)	2.3733	+0.0317	719 - 747	2.3778	2.3521	2.3624	5.5	2.3413	5.4	2.2587	4.8	107.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.8
Ecu	-	1.4757	+0.0106	746 - 767	1.4781	1.4672	1.4722	2.8	1.4654	2.8	1.439	2.5	-
SDR†	-	1.20836	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6767	+0.0008	762 - 772	1.6779	1.6703	-	-	-	-	-	-	-
Brazil	(R$)	1.8490	+0.0003	483 - 496	1.8506	1.8429	-	-	-	-	-	-	-
Canada	(C$)	2.3543	-0.0084	531 - 554	2.3629	2.3465	2.3474	3.5	2.3348	3.3	2.2908	2.7	83.4
Mexico	(New Peso)	13.8268	-0.2926	806 - 729	14.0239	13.6917	13.9498	-10.7	14.1965	-10.7	15.1708	-9.7	-
USA	($)	1.6770	+0.0001	765 - 775	1.6787	1.6713	1.675	1.4	1.6706	1.5	1.6532	1.4	104.5
Pacific/Middle East/Africa													
Australia	(A$)	2.3516	-0.0274	500 - 531	2.3834	2.3327	2.3472	2.3	2.3373	2.4	2.2973	2.3	89.4
Hong Kong	(HK$)	12.9716	+0.01	661 - 771	12.9814	12.9242	12.8455	11.7	13.1683	-6.1	13.4113	-3.4	-
India	(Rs)	61.0068	+0.0263	441 - 694	61.0710	60.6930	-	-	-	-	-	-	-
Israel	(Shk)	5.9183	-0.0116	112 - 254	5.9454	5.9110	-	-	-	-	-	-	-
Japan	(Y)	202.565	+0.684	437 - 692	202.700	200.610	201.41	6.8	199.135	6.8	189.595	6.4	126.1
Malaysia	(M$)	5.4068	-0.2068	992 - 183	5.6339	5.3668	5.4186	-2.2	5.4425	-2.5	5.5864	-3.3	-
New Zealand	(NZ$)	2.6516	-0.0368	493 - 539	2.7133	2.6337	2.6539	-0.7	2.6558	-0.6	2.6629	-0.4	108.3
Philippines	(Peso)	59.0305	-0.2899	452 - 158	59.6654	58.4188	59.9163	-18.0	60.9981	-13.3	66.3475	-12.4	-
Saudi Arabia	(SR)	6.2900	-0.0011	875 - 925	6.2961	6.2697	6.2825	1.4	6.2687	1.4	6.2168	1.2	-
Singapore	(S$)	2.5860	-0.0518	835 - 884	2.6412	2.5816	2.5845	0.7	2.5795	1.0	2.5425	1.7	-
South Africa	(R)	8.0245	-0.0456	195 - 294	8.0822	8.0022	8.0775	-7.9	8.174	-7.5	8.5483	-6.5	-
South Korea	(Won)	1626.69	+8.82	587 - 751	1628.00	1618.77	-	-	-	-	-	-	-
Taiwan	(T$)	52.3753	+0.497	286 - 219	52.4228	52.0220	52.3279	1.1	52.2424	1.0	51.9116	0.9	-
Thailand	(Bt)	68.6732	-0.1217	689 - 775	68.7790	63.5740	68.6844	-0.2	69.0249	-2.0	71.8925	-4.7	-

† Rates for Oct 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.2196	+0.1056	174 - 217	12.2670	12.1460	12.1986	2.1	12.1571	2.0	12.0071	1.7	102.4
Belgium	(BFr)	35.8200	+0.3125	000 - 400	35.9400	35.5910	35.7653	1.8	35.644	2.0	35.204	1.7	102.4
Denmark	(DKr)	6.6085	+0.0576	075 - 095	6.6330	6.5646	6.5982	1.9	6.5787	1.8	6.5175	1.4	104.1
Finland	(FM)	5.2120	+0.0447	095 - 145	5.2329	5.1815	5.202	2.3	5.1843	2.1	5.129	1.6	81.1
France	(FFr)	5.8080	+0.052	070 - 090	5.8382	5.7789	5.7972	2.2	5.7755	2.2	5.702	1.8	105.4
Germany	(DM)	1.7362	+0.0151	359 - 364	1.7430	1.7255	1.733	2.2	1.7267	2.2	1.7049	1.8	103.2
Greece	(Dr)	272.090	+0.075	020 - 160	274.750	271.740	273.365	-5.6	275.805	-5.2	284.325	-4.5	65.3
Ireland	(I£)	1.4938	-0.0106	928 - 948	1.4990	1.4900	1.4929	0.7	1.4923	0.4	1.4971	-0.2	-
Italy	(L)	1700.45	+10.3	990 - 100	1709.90	1693.00	1702.19	-1.2	1704.03	-0.8	1697.38	0.2	75.9
Luxembourg	(LFr)	35.8200	+0.3125	000 - 400	35.9400	35.5910	35.7653	1.8	35.644	2.0	35.204	1.7	102.4
Netherlands	(Fl)	1.9548	+0.0141	545 - 550	1.9645	1.9460	1.951	2.3	1.9439	2.2	1.9194	1.8	101.6
Norway	(NKr)	7.0636	+0.063	625 - 646	7.0975	7.0039	7.0521	2.0	7.0324	1.8	6.9621	1.4	98.7
Portugal	(Es)	177.160	+1.42	110 - 210	178.190	176.210	177.13	0.2	176.933	0.5	175.44	1.0	92.4
Spain	(Pta)	146.620	+1.26	570 - 670	147.160	145.830	146.559	0.5	146.375	0.7	145.14	1.0	76.9
Sweden	(SKr)	7.5566	+0.0724	531 - 601	7.5668	7.5200	7.5489	1.2	7.5345	1.2	7.5036	0.7	86.1
Switzerland	(SFr)	1.4152	+0.0188	148 - 156	1.4203	1.4015	1.4105	3.9	1.4012	4.0	1.3637	3.6	107.9
UK	(£)	1.6770	+0.0001	765 - 775	1.6787	1.6713	1.675	1.4	1.6706	1.5	1.6532	1.4	102.0
Ecu	-	1.1365	-0.0081	360 - 369	1.1400	1.1323	1.1377	-1.2	1.14	-1.2	1.1499	-1.2	-
SDR†	-	0.722742	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0004	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1026	+0.0001	025 - 026	1.1036	1.1024	-	-	-	-	-	-	-
Canada	(C$)	1.4039	-0.0051	036 - 041	1.4085	1.4025	1.4015	2.1	1.3971	1.9	1.3829	1.5	82.9
Mexico	(New Peso)	8.2450	-0.175	200 - 700	8.2750	8.2100	8.3305	-12.4	8.501	-12.4	9.18	-11.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.2
Pacific/Middle East/Africa													
Australia	(A$)	1.4022	-0.0164	017 - 027	1.4257	1.3957	1.4014	0.7	1.3988	1.0	1.3881	1.0	89.1
Hong Kong	(HK$)	7.7350	+0.0055	340 - 360	7.7370	7.7310	7.8225	-13.6	7.885	-7.8	8.11	-4.8	-
India	(Rs)	36.3785	+0.0135	520 - 050	36.4050	36.2500	-	-	-	-	-	-	-
Israel	(Shk)	3.5291	-0.0071	259 - 323	3.5482	3.5213	-	-	-	-	-	-	-
Japan	(Y)	120.790	+0.52	750 - 830	120.870	119.850	120.24	5.5	119.14	5.5	114.345	5.3	127.4
Malaysia	(M$)	3.2253	-0.1247	205 - 300	3.3460	3.2030	3.2358	-3.9	3.2588	-4.2	3.3803	-4.8	-
New Zealand	(NZ$)	1.5812	-0.022	803 - 820	1.6163	1.5783	1.5843	-2.4	1.5897	-2.2	1.6085	-1.7	-
Philippines	(Peso)	35.2000	-0.175	000 - 000	35.7000	34.8000	35.7885	-20.1	36.539	-15.2	40.1935	-14.2	-
Saudi Arabia	(SR)	3.7508	-0.0008	504 - 511	3.7512	3.7500	3.7512	-0.1	3.7519	-0.1	3.755	-0.1	-
Singapore	(S$)	1.5420	-0.031	410 - 430	1.5740	1.5410	1.545	-2.3	1.544	-0.5	1.536	0.4	-
South Africa	(R)	4.7850	-0.0275	835 - 865	4.8160	4.7810	4.8237	-9.7	4.8946	-9.2	5.172	-8.1	-
South Korea	(Won)	970.000	+5.2	800 - 200	970.200	964.700	-	-	-	-	-	-	-
Taiwan	(T$)	31.2315	+0.2945	130 - 500	31.2560	30.9950	31.2425	-0.4	31.264	-0.4	31.344	-0.4	-
Thailand	(Bt)	40.9500	-0.075	000 - 000	41.1000	38.0000	41.0075	-1.7	41.31	-3.5	43.45	-6.1	-

† SDR rate per $ for Oct 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 31: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

November 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.30	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.02
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	2	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.44	5.49	5.55	5.70	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	4 - [illegible]	4 - [illegible]	4 - [illegible]	4 - [illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.23	96.23	-0.02	96.25	96.22	11,291	46,125
Mar	95.95	95.95	-0.03	95.99	95.94	7,695	47,286
Jun	95.73	95.72	-0.01	95.74	95.71	3,285	-

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.26	96.23	-0.04	96.26	96.23	34682	316030
Mar	96.00	95.99	-0.04	96.02	95.98	24173	325540
Jun	95.75	95.76	-0.04	95.78	95.74	27083	288757
Sep	95.60	95.57	-0.04	95.60	95.54	18080	195924

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		96.49	-0.02			0	148
Dec		96.22	-0.02			0	6109
Jan		96.30	-			0	200
Feb		96.18	-			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.71	93.72	+0.02	93.75	93.71	13343	107156
Mar	94.43	94.45	+0.03	94.49	94.42	11022	105938
Jun	94.90	94.92	+0.03	94.97	94.90	9821	106297
Sep	95.01	95.05	+0.02	95.09	95.01	3465	64882

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.04	97.99	-0.06	98.04	97.97	5757	77325
Mar	97.83	97.80	-0.06	97.83	97.77	4626	49618
Jun	97.61	97.58	-0.06	97.62	97.56	1338	32988
Sep	97.42	97.39	-0.06	97.42	97.36	400	18835

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.49	-			0	na
Mar		99.48	+0.01			0	na
Jun		99.43	-			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.37	95.39	-	95.39	95.36	1431	10132
Mar	95.29	95.30	-0.02	95.30	95.28	147	6366
Jun	95.26	95.26	-0.02	95.26	95.26	13	5912
Sep	95.19	95.20	-0.02	95.19	95.18	106	6576

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.28	0.99	1.45	0.06	0.04	0.03
9375	0.12	0.76	1.21	0.15	0.06	0.04
9400	0.04	0.55	0.98	0.32	0.10	0.06

Est. vol. total, Calls 3202 Puts 2142. Previous day's open int., Calls 229109 Puts 118537

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.21	4.847	1.869	4747	5.457	19.72	494.6	409.3	21.10	3.951	1.665	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	(DKr)	54.20	10	8.789	2.627	1.013	2573	2.958	10.69	268.1	221.9	11.43	2.141	0.902	[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	61.67	11.38	10	2.989	1.153	2928	3.366	12.16	305.0	252.4	13.01	2.437	1.027	[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	20.63	3.806	3.345	1	0.386	979.4	1.126	4.068	102.0	84.45	4.352	0.815	0.343	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	53.51	9.872	8.676	2.594	1	2540	2.920	10.55	264.6	219.0	11.29	2.114	0.891	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	2.107	0.389	0.342	0.102	0.039	100	0.115	0.415	10.42	8.622	0.444	0.083	0.035	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	18.32	3.381	2.971	0.888	0.342	869.9	1	3.613	90.63	75.01	3.866	0.724	0.305	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	50.71	9.358	8.222	2.458	0.948	2407	2.767	10	250.8	207.6	10.70	2.004	0.844	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	20.22	3.730	3.278	0.980	0.378	959.8	1.103	3.987	100	82.76	4.265	0.799	0.337	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	24.43	4.507	3.961	1.184	0.457	1160	1.333	4.818	120.8	100	5.154	0.965	0.407	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	47.40	8.745	7.686	2.298	0.886	2250	2.587	9.348	234.4	194.0	10	1.873	0.789	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	25.31	4.670	4.104	1.227	0.473	1202	1.381	4.991	125.2	103.6	5.340	1	0.421	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	60.07	11.08	9.740	2.912	1.123	2852	3.278	11.85	297.1	245.9	12.67	2.373	1	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	25.51	4.707	4.137	1.237	0.477	1211	1.392	5.031	126.2	104.4	5.383	1.008	0.425	[illegible]	[illegible]	[illegible]	[illegible]
USA	($)	35.82	6.609	5.808	1.736	0.669	1700	1.955	7.064	177.2	146.6	7.557	1.415	0.596	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	29.65	5.471	4.808	1.437	0.554	1408	1.618	5.848	146.7	121.4	6.256	1.172	0.494	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	–	40.71	7.511	6.601	1.973	0.761	1933	2.222	8.028	201.3	166.6	8.588	1.608	0.678	[illegible]	[illegible]	[illegible]	[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5810	0.5765	-0.0049	0.5810	0.5751	23,954	62,390
Mar	0.5783	0.5793	-0.0049	0.5794	0.5783	80	2,700
Jun	–	0.5867	–	–	–	1	2,854

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7073	0.7085	-0.0100	0.7094	0.7073	23,194	50,531
Mar	0.7136	0.7149	-0.0102	0.7160	0.7136	65	2,556
Jun	–	0.7212	-0.0104	–	0.7210	9	264

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8363	0.8350	-0.0009	0.8385	[illegible]	[illegible]	[illegible]
Mar	0.8480	0.8460	-0.0010	0.8480	[illegible]	[illegible]	[illegible]
Jun	–	0.8588	–	–	[illegible]	[illegible]	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6746	1.6704	-0.0014	1.6756	[illegible]	[illegible]	[illegible]
Mar	1.6650	1.6650	-0.0010	1.6670	[illegible]	[illegible]	[illegible]
Jun	1.6600	1.6590	-0.0002	1.6600	[illegible]	[illegible]	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Nov 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Nov 3	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.758568	-0.002417	[illegible]	[illegible]	[illegible]
Finland	5.85424	5.92206	+0.00719	[illegible]	[illegible]	[illegible]
Italy	1906.48	1931.80	-1.84	[illegible]	[illegible]	[illegible]

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.16	0.20	0.30	0.03	0.12	0.16
9275	0.04	0.08	0.17	0.16	0.25	0.30
9300	0	0.03	0.08	0.37	0.45	0.46

Est. vol. total, Calls 2483 Puts 1253. Previous day's open int., Calls 218487 Puts 226054

■ PHILADELPHIA SE £/$ OPTIONS

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.570	0.55	0.90	1.23	[illegible]	[illegible]	[illegible]
0.575	0.36	0.69	1.00	[illegible]	[illegible]	[illegible]
0.580	0.22	0.51	0.80	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls 939 Puts 474. Prev. day's open int., [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.30	94.24	-0.03	94.30	[illegible]	[illegible]	[illegible]
Mar	94.24	94.21	-0.04	94.24	[illegible]	[illegible]	[illegible]
Jun	94.16	94.14	-0.05	94.16	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.10	95.04	-0.05	95.10	[illegible]	[illegible]	[illegible]
Mar	95.14	95.11	-0.08	95.14	[illegible]	[illegible]	[illegible]
Jun	-	95.07	-0.06	-	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9600	0.24	0.25	0.10	0.14	0.01	[illegible]	[illegible]	[illegible]
9625	0.04	0.08	0.03	0.05	0.06	[illegible]	[illegible]	[illegible]
9650	0.01	0.01	0.01	0.01	0.28	[illegible]	[illegible]	[illegible]
9675	0	0	0	0	0.52	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 254 Puts 1750. Previous day's open int., [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9800	0.12	0.14	0.12	[illegible]	[illegible]	[illegible]
9825	0.03	0.06	0.08	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 0 Puts 200. Previous day's open int., [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Exeter Trust Limited	8.00	●Singer & Friedlander	7.00
Allied Irish Bank (GB)	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
●Henry Ansbacher	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
Duncan Lawrie	7.00	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.00		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Big wheat harvest boosts Bulgaria

By Kerin Hope in Athens and Theodor Troev in Sofia

A bigger than expected wheat harvest has boosted Bulgaria's struggling economy and revived hopes that regular exports can be resumed.

Favourable summer weather helped raise wheat output to 3.7m tonnes, the highest since the collapse in 1991 of farm co-operatives responsible for cereal production. Under communism, the wheat harvest averaged 5m tonnes, with exports at about 500,000 tonnes.

Last year's disastrous harvest of only 1.8m tonnes triggered an economic and financial crisis in Bulgaria. Illegal wheat exports by Bulgarian trading groups sent prices soaring on the local market, while the cash-strapped government resorted to barter deals in order to finance wheat imports.

The government earlier this year forecast a shortfall of about 1m tonnes following torrential rains in wheat-producing areas of northern Bulgaria. However, Ventsislav Vurbanov, agriculture minister, now says the final figures show a surplus of 100,000 tonnes, of which "about half is of export quality".

"Good weather through late summer meant harvesting could continue later than usual. We also lifted import duties temporarily on combine harvesters, leading to purchases enabling farmers to get in more of the crop," he said.

The average Bulgarian farmer owns less than 2.5 hectares of land, although several big farming groups in north-eastern Bulgaria, the main wheat-growing region, have increased their holdings to more than 1,000 hectares by leasing land from relatives and neighbours.

However, wheat production is likely to benefit from a land reform package approved by parliament earlier this month. The measures are designed to promote investment in the farm sector, by providing for the leasing of unlimited amounts of land and by permitting foreigners to buy agricultural land in joint ventures with Bulgarian partners.

About 70 per cent of the 5.8m hectares of land made available to private farmers has been distributed to pre-communist owners and their descendants. So far, only 18 per cent of owners have received permanent titles to their holdings, but Mr Vurbanov says the remaining titles will be issued by the end of next year.

"Once all titles are official, there will be a rapid process of consolidation of holdings, as well as the entry of north European farmers to the sector," he adds.

Sakhalin pins hopes on oil and gas

When the Russians first occupied Sakhalin, a hostile shaman from the indigenous Gilyak people is said to have cursed the invaders, warning that no good would ever come of their presence on the island.

Generations of long-suffering Russian inhabitants might think he had a point. Over the past two centuries, the remote island has endured the brutality of Tsarist prison camps, sporadic skirmishes with the Japanese, and a succession of devastating earthquakes.

Even the collapse of the Soviet Union only deprived the island of central subsidies, plunging much of the population into poverty.

However, Sakhalin has also been blessed with prodigious natural resources, and that holds out hopes of a prosperous future. The vast off-shore oil and gas fields, east of Sakhalin, could fuel a large part of Asia's energy needs early in the next century.

"I expect that the off-shore oil field developments will contribute to new jobs and improve the economy here," says Nail Yarulin, mayor of Okha, an oil town in northern Sakhalin badly hit by an earthquake two years ago. "We will have the possibility to revive our region."

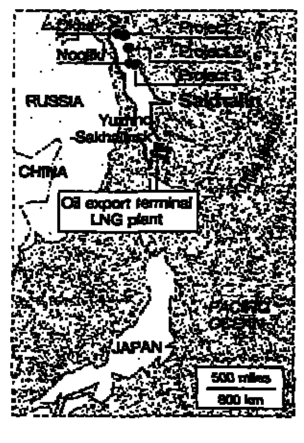
A group of international energy companies and local Russian operators is now set on tapping Sakhalin's off-shore energy resources, with the first production scheduled for 1999.

Preliminary estimates suggest the island's oil and gas reserves might match those found in the North Sea. But the oil companies oscillate between elation and frustration, as they fight for strong enough legal guarantees to enable them to commit up to $40bn in investment.

The most advanced of the three projects currently under way is Sakhalin 2, run by Sakhalin Energy Investment, a consortium consisting of Royal Dutch/Shell, Marathon Oil, Mitsui, and Mitsubishi. The consortium plans to spend up to $10bn developing two oil and gas fields, estimated to contain 140m tonnes of oil and 408bn cubic metres of gas.

However, developing these fields will not be easy: they are located 15km off the north-east coast of Sakhalin in seas that freeze for six months of the year and are vulnerable to powerful earthquakes.

Frank Duffield, president of Sakhalin Energy Investment, says that to speed up its production schedulè the consortium is currently spending $650m on an innovative, temporary development project. To this end, it is deploying a giant mobile drilling platform, called a Molikpaq, the size of two football fields.



However, because of the harsh climate, it will initially operate for only six months of the year – probably making it the first part-time oil field in the world.

Although the consortium has signed a production-sharing agreement (PSA) with the Russian government – defining its legal rights and splitting future revenues – it is still awaiting the passage of essential enabling legislation before it presses ahead with full field development.

"We have made it clear that the legislative package is by no means complete and they [the Russian government] need to do more if we are to feel comfortable about moving beyond the first phase into large scale investments," Mr Duffield says. "The Russian side understands that and is doing all it can to make progress on these projects."

Other western oil companies operating in the region face similar uncertainties. Without stronger legal assurances, no foreign company is likely to invest the billions of dollars needed to build the on-shore infrastructure.

The delays in production schedules are disappointing for the oil companies. But they are also leading to some disaffection among the local residents, who are growing suspicious of the foreigners' motives.

The Sakhalin 1 project, in which Exxon and Sodeco, a Japanese consortium, each have a 30 per cent stake, is also exploring ways to accelerate production at its three off-shore oilfields. But two appraisal wells drilled this summer hit dirt and the consortium needs to undertake further exploratory work next year before it presses ahead with sizeable investments.

Further down the coast, a third project backed by Mobil and Texaco is seeking to develop potentially the largest field on the Sakhalin shelf, containing an estimated 320m tonnes of recoverable reserves. This Sakhalin 3 project will begin test drilling in mid-1988 and could begin production early in the next century.

But David Simerka, vice-president of Mobil Russia Ventures, says the consortium needs to operate under a PSA agreement. "We have to have a full PSA agreement in place if we are to spend over $20bn over the 35-year life of the project," he says.

Russia's parliament has so far frustrated attempts to adopt a blanket PSA regime and is approving projects on a case-by-case basis. But the oil companies are hopeful that economic gravity is finally beginning to pull their way.

"Some Communists say that oil is not like milk and does not turn sour," says Mr Simerka. "But I think more progressive economically-minded people are getting into government and realising that to get the country moving you have to have an influx of investment."

John Thornhill

Oil prices see-saw on events in Iraq

MARKETS REPORT

By Robert Corzine and Gary Mead

Oil markets continued to be dominated by events in Iraq. A series of statements from Baghdad, the UN and Washington caused prices to see-saw during the day.

The price of the bellwether Brent Blend for December delivery reached a high in early trading of around $20.45 a barrel, 43 cents up on Friday's close, but in late trading on London's International Petroleum Exchange December Brent was quoted at $20.20.

There was little reaction to a report in the Middle East Economic Survey, which quoted Saudi oil minister Ali Naimi as wanting a higher Opec production ceiling set at the group's meeting in Jakarta this month.

The report said Saudi Arabia wants a new ceiling of 27m barrels a day, well above the present target of just over 25m b/d. Traders said a rise to 27m b/d would legitimise the chronic overproduction of the group.

Trading in soft commodities on the London International Financial Futures Exchange was lacklustre with coffee and cocoa failing to make significant headway against a developing bearish consensus for both.

The benchmark March contract for cocoa slipped to £1,057 a tonne, down £13, by the close, with arbitrage selling between London and the New York contract on the Coffee, Sugar and Cocoa Exchange dominating proceedings.

Coffee futures managed to close higher, with the January contract finishing at $1,470 a tonne, up $12. This was in spite of the December future on the CSCE slipping to a nine-month low of 143.30 cents a pound in early trading.

COMMODITIES NEWS DIGEST

Launch set for pepper exchange

The delayed launch of India's fledgling exchange for pepper futures in Cochin now looks set for the third week of November, following a decision by the federal government and India's central bank to permit overseas repatriation of profits by foreign traders.

The Indian pepper and spice trade association said India's first commodities exchange, in the state of Kerala, could have started business much earlier. It blames delays in the granting of permission to banks to subscribe to the equity capital of the First Commodities Clearing Corporation of India, the clearing house for the exchange. Global Trust Bank and Union Bank of India, bankers to FCCCI, will need time to link up with the clearing house, said the association, which will run the exchange.

Nearly 65 trading houses – most of them Indian – have already joined the Cochin exchange. McCormick of the US and Burns Philp of Australia will trade through local affiliated companies. The association believes other foreign trading houses will use the exchange now uncertainties regarding repatriation of profits have been removed.

Although the Cochin exchange is geared to screen-based trading, deals will initially be made through open outcry. This will be for the convenience of Indian traders, who are not yet familiar with screen-based trading.

The move to open the pepper exchange comes at a time of considerable interest in the global pepper trade. International prices of pepper have risen by more than 65 per cent in the past six months because of global shortfalls. The main supplier of white pepper, Indonesia, has now almost run out of stocks and white pepper prices last week reached a record $8,600 a tonne. Industry forecasts are that world pepper production will rise to 186,758 tonnes in 1998 from 174,044 tonnes this year. But stocks in the US and Europe are very low and prices are unlikely to fall in the near future.

There will be an exportable surplus of 152,546 tonnes of pepper next year and trade officials think a large proportion of this will be traded on the Cochin exchange.

Kunal Bose, Calcutta

■ COCOA BEANS

Ivory Coast set for bumper crop

Continuing abundant rainfall in Ivory Coast is reinforcing the view that the biggest producer of cocoa beans is heading for a bumper crop, which may be as high as its 1995-96 record of 1.2m tonnes.

The US Department of Agriculture has revised upwards its estimate for Ivory Coast's harvest for 1997-98 to 1.18m tonnes, slightly above the 1.13m tonnes for 1996-97. The latest rainfall data from the west African country show that in October it had average rainfall of 155mm, double that for the same month in 1996. With the prospect also for ample rains in November, some specialists feel a new record might be achieved.

In its latest commodity report Merrill Lynch points out that production levels are also set to increase in another major producer, Ghana, and that recently declining Brazilian production levels appear to have been stemmed. The report argues that a global shortfall of no more than 150,000 tonnes is now likely for 1997-98, much less than half that predicted earlier this year.

Gary Mead

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1598.5-99.5	1628-28.5
Previous	1613.5-14.5	1638-39
High/low		1638/1620
AM Official	1597-98	1625.5-26
Kerb close		1625-26
Open int.	260,328	
Total daily turnover	75,781	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1490-95	1482-85
Previous	1480-85	1483-84
High/low		1484/1480
AM Offical	1480-85	1482-84
Kerb close		1480-85
Open int.	5,995	
Total daily turnover	1,619	

■ LEAD ($ per tonne)

Close	594.5-95.5	606.5-07.0
Previous	597.5-6.5	610-1
High/low		611/602
AM Official	589.5-90.5	604-5
Kerb close		609-10
Open int.	30,621	
Total daily turnover	7,620	

■ NICKEL ($ per tonne)

Close	6120-30	6205-10
Previous	6280-90	6360-70
High/low		6300/6160
AM Official	6120-25	6195-200
Kerb close		6230-40
Open int.	59,328	
Total daily turnover	25,693	

■ TIN ($ per tonne)

Close	5550-55	5545-50
Previous	5470-80	5485-95
High/low		5550/5480
AM Official	5475-85	5490-95
Kerb close		5540-50
Open int.	15,793	
Total daily turnover	2,988	

■ ZINC, special high grade ($ per tonne)

Close	1239-40	1259.5-60.0
Previous	1254.5-55.5	1274-75
High/low		1265/1257
AM Official	1233-34	1257-57.5
Kerb close		1261-63
Open int.	81,180	
Total daily turnover	31,758	

■ COPPER, grade A ($ per tonne)

Close	1995-96	2002-03
Previous	2012-13	2021-22
High/low	1991/1990	2013/1993
AM Official	1990.5-91	2000-01
Kerb close		1997-98
Open int.	157,408	
Total daily turnover	69,410	

■ LME AM Official £/$ rate: 1.6738
LME Closing £/$ rate: 1.6770

Spot: 1.5765 3 mths: 1.6703 6 mths: 1.6631 9 mths: 1.6572

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	90.70	-	91.25	90.10	862	4,127
Dec	90.45	-0.30	91.50	90.20	6,632	31,637
Jan	90.65	-0.35	91.60	90.80	106	1,251
Feb	90.45	-0.60	91.00	90.45	6	1,353
Mar	90.45	-0.75	91.40	90.60	923	8,024
Apr	90.65	-0.65	-	-	7	1,295
Total					9,092	64,084

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	314.10-314.60		
Opening	313.00-313.30		
Morning fix	313.50	187.388	444.230
Afternoon fix	313.80	187.321	444.027
Day's High	314.40-314.70		
Day's Low	312.95-313.25		
Previous close	312.30-312.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.59	6 months	3.09
2 months	2.63	12 months	3.41
3 months	2.66		

Silver Fix	p/troy oz.	US cts equiv.
Spot	285.70	478.25
3 months	288.75	481.45
6 months	291.70	484.60
1 year	298.25	492.05

Gold Coins	$ price	£ equiv.
Krugerrand	313-316	187-188
Maple Leaf	-	-
New Sovereign	73-76	44-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Nov	313.6	+2.3	-	-	-	-
Dec	314.4	+2.3	315.5	311.8	31,553	111k
Feb	315.8	+2.6	316.9	313.1	2,553	30,400
Apr	317.6	+4.1	319.0	317.2	389	7,478
Jun	319.6	+4.3	320.3	319.1	83	11,228
Aug	321.7	+4.4	322.4	322.4	2	4,510
Total					35,365	216,385

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	406.5	+2.3	407.7	403.3	1,305	10,935
Apr	402.5	+1.3	405.5	403.0	2	1,362
Jul	399.5	+1.3	399.0	399.0	11	29
Total					1,318	12,326

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	208.60	+2.85	208.75	207.00	212	3,220
Mar	206.10	+2.85	204.50	203.10	57	1,000
Jun	202.60	+2.85	-	-	1	111
Sep	199.60	+2.85	-	-	1	2
Total					224	4,333

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Nov	482.5	+10.8	-	-	21	1
Dec	484.5	+10.8	487.0	471.0	16,424	60,753
Jan	486.2	+10.8	484.5	482.0	12	43
Mar	490.3	+11.0	492.0	477.0	718	19,152
May	493.2	+11.0	493.0	483.0	35	2,761
Jul	496.0	+11.0	497.0	485.0	162	3,535
Total					17,487	94,671

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	21.17	+0.09	21.55	20.85	36,397	97,846
Jan	21.26	+0.08	21.59	20.96	17,255	51,446
Feb	21.15	+0.01	21.51	20.99	6,779	34,253
Mar	21.08	+0.05	21.35	20.85	2,213	20,840
Apr	20.85	-0.08	21.00	20.80	1,118	15,129
May	20.81	-0.04	20.81	20.75	719	16,567
Total					71,860	380,871

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	20.16	+0.14	20.45	19.90	12,064	56,135
Jan	20.19	+0.16	20.45	19.96	7,098	52,116
Feb	20.08	+0.06	20.32	19.90	2,249	19,054
Mar	19.91	+0.04	20.18	19.76	1,394	6,069
Apr	19.76	+0.02	19.76	19.63	409	5,398
May	19.50	-0.11	19.80	19.50	347	5,279
Total					24,582	183,162

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	-	-	-	-	16,329	-
Dec	59.10	+0.17	59.90	58.30	19,478	56,024
Jan	59.90	+0.22	60.51	59.15	4,728	23,260
Feb	59.60	-0.08	60.50	59.45	2,630	12,417
Mar	58.10	+0.02	59.40	58.75	1,142	9,028
Apr	57.50	+0.12	57.75	57.15	318	5,480
Total					45,575	130,426

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	181.75	-1.25	185.75	181.50	7,083	26,240
Dec	182.75	-1.25	186.50	182.00	4,986	23,128
Jan	183.25	-1.50	187.00	182.50	1,021	14,713
Feb	182.75	-1.75	186.50	182.25	340	8,614
Mar	180.25	-2.00	182.75	180.50	124	6,024
Apr	177.50	-2.25	-	-	-	3,258
Total					12,870	98,198

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Dec	15.650	-0.350	15.750	15.650	55	1,360
Total					445	10,629

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	3.405	-0.147	3.605	3.350	13,079	58,880
Jan	3.355	-0.119	3.525	3.310	5,954	32,552
Feb	2.955	-0.097	3.090	2.925	1,802	23,067
Mar	2.610	-0.055	2.700	2.600	1,151	16,820
Apr	2.310	-0.040	2.380	2.310	398	10,023
May	2.230	-0.025	2.280	2.220	175	8,316
Total					27,416	239,781

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	-	-	-	-	11,058	-
Dec	60.50	+0.28	61.00	59.50	12,132	34,760
Jan	60.15	-0.13	61.00	59.30	2,371	18,871
Feb	60.15	-0.47	61.00	59.80	757	8,335
Mar	60.60	-0.52	61.15	60.50	598	5,366
Apr	64.65	+1.13	-	63.00	299	5,757
Total					27,412	94,372

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	83.00	-0.25	-	-	-	295
Jan	85.20	-0.65	85.40	85.00	92	3,324
Mar	87.25	-0.70	87.25	87.25	10	3,196
May	89.25	-0.70	89.25	89.10	30	2,233
Jul	91.25	-0.70	-	-	-	195
Total					136	9,253

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	363.25	+2.75	364.50	358.50	6,649	52,809
Mar	377.75	+3.75	379.00	373.50	2,480	27,345
May	385.50	+3.75	386.00	381.00	420	6,423
Jul	387.75	+3.25	388.00	383.50	1,028	14,941
Sep	392.50	+2.00	392.50	391.50	70	141
Dec	402.50	+4.25	403.50	399.50	17	2,948
Total					10,573	104,635

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	285.25	+6.50	289.50	278.75	37,031	191,328
Mar	295.00	+5.75	298.00	289.00	14,265	104,873
May	300.50	+5.50	304.75	294.50	2,880	30,370
Jul	305.00	+5.75	308.75	297.75	4,564	41,393
Sep	294.25	+3.25	297.50	293.00	501	3,540
Dec	293.25	+2.25	297.00	291.50	3,884	25,998
Total					63,153	398,943

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Nov	76.90	-	-	-	-	83
Jan	79.50	-0.25	-	-	-	1,290
Mar	82.00	-	-	-	-	509
May	83.75	-	-	-	-	23
Sep	82.00	-	-	-	-	6
Total					-	1,911

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	717.00	+26.25	718.00	690.75	21,606	23,260
Jan	721.75	+25.50	723.50	697.00	26,885	67,733
Mar	727.50	+25.75	728.00	701.75	4,171	23,991
May	732.25	+25.75	732.50	711.50	1,524	16,515
Jul	737.25	+25.00	738.00	717.00	3,645	14,282
Aug	730.00	+22.00	730.00	714.00	50	620
Total					58,884	152,834

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	25.63	+0.41	25.68	25.06	9,900	50,855
Jan	25.82	+0.35	25.85	25.26	4,104	27,448
Mar	26.02	+0.12	26.10	25.55	2,655	14,844
May	26.14	+0.09	26.18	25.60	439	9,125
Jul	26.17	+0.22	26.25	25.92	331	8,812
Aug	25.85	+0.10	25.95	25.95	74	819
Total					17,448	113,107

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	233.1	+10.0	233.1	224.0	12,658	41,044
Jan	228.4	+9.1	229.3	220.3	4,043	22,996
Mar	224.6	+8.4	225.5	217.0	3,867	20,491
May	223.0	+8.2	223.5	215.5	2,357	17,515
Jul	223.8	+7.5	224.0	217.0	432	12,084
Aug	223.0	+6.1	224.0	220.0	151	2,692
Total					24,369	122,589

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	30.0	-7	26.0	18.0	7	6
Mar	77.0	-7	-	-	-	-
Apr	116.5	+3.5	117.5	113.0	67	1,199
May	127.5	+3.5	-	-	-	24
Jun	137.5	+3.5	-	-	-	-
Total					77	1,289

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Oct	1326	-	-	-	-	-
Nov	1310	-10	1310	1310	5	722
Dec	1340	-10	1335	1332	4	172
Jan	1370	-10	1380	1370	30	660
Apr	1405	-5	1410	1402	8	345
Total					47	1,984

	Close	Prev
BFI	1314	1318

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	565.00	-	567.00	565.00	60	229
Mar	585.00	-0.50	585.00	585.00	20	399
Total					80	623

FUTURES DATA
All futures data supplied by CMS.

Tea from The Tea Brokers' Association
Landed: Assams met selective demand with prices 2 to 4 pence easier where sold. East Africans met good competition and prices remained fully firm to occasionally dearer. Offshore: Strong enquiry at around last levels. Quotations for this sale: Landed: best available 160p; good NQ; good medium 156p; medium 148p; low medium 130p. The highest price realised this week was 180p for a Burundi PF1.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1030	-19	1053	1030	1,210	44,805
Mar	1056	-14	1076	1056	1,378	53,915
May	1075	-13	1090	1075	30	23,388
Jul	1091	-12	1105	1105	2	9,446
Sep	1108	-10	1118	1107	121	18,734
Dec	1121	-10	1135	1120	202	21,010
Total					3,784	194,783

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1578	-25	1602	1576	2,602	29,575
Mar	1618	-20	1641	1616	1,835	29,261
May	1643	-16	1658	1642	11	13,396
Jul	1664	-16	1677	1669	19	3,985
Sep	1684	-16	1693	1690	16	4,820
Dec	1702	-16	-	-	41	6,897
Total					4,499	101,140

■ COCOA (ICCO) (SDR's/tonne)

Oct 31	Price	Prev. day
Daily	1233.15	1223.99

■ COFFEE LIFFE (5 tonnes; $/tonne)

Nov	1445	+16	1461	1440	580	3,391
Jan	1470	+12	1487	1470	2,138	25,251
Mar	1482	+12	1500	1475	671	8,592
May	1490	+11	1498	1490	93	2,011
Jul	1498	+11	1504	1504	20	644
Sep	1506	+11	-	-	-	382
Total					2,502	40,281

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	144.10	-4.55	150.00	143.30	3,899	11,190
Mar	138.85	-3.00	141.00	136.50	1,356	8,339
May	134.05	-2.95	137.50	134.00	183	2,844
Jul	131.50	-2.60	134.75	132.00	215	1,927
Sep	129.80	-0.70	131.50	129.50	169	986
Dec	127.05	-0.95	129.50	127.00	129	773
Total					5,989	26,117

■ COFFEE (ICO) (US cents/pound)

Oct 31		Prev. day
Comp. daily	112.57	113.11
15 day average	118.03	118.93

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	313.8	+2.9	313.4	310.9	2,128	9,734
Mar	318.5	+2.0	318.5	314.7	1,927	18,511
May	320.8	+2.2	320.5	318.0	70	3,175
Aug	323.2	+2.3	320.5	319.9	25	2,470
Oct	318.9	+2.2	318.0	316.7	20	3,477
Dec	316.3	+0.1	-	-	-	140
Total					4,170	37,548

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.43	+0.04	12.44	12.28	30,840	112k
May	12.31	+0.03	12.32	12.17	4,399	27,893
Jul	12.04	-0.01	12.05	11.93	2,173	19,604
Oct	11.89	-0.02	11.90	11.78	1,184	22,283
Mar	11.73	-0.02	11.70	11.70	457	5,676
May	11.68	-0.02	-	-	50	613
Total					38,663	188,548

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	72.77	+0.45	72.85	72.20	7,316	45,726
Mar	73.83	+0.46	73.88	73.25	2,889	17,812
May	74.60	+0.49	74.60	74.00	669	10,267
Jul	75.00	+0.32	75.00	74.68	369	9,823
Oct	75.60	+0.05	75.65	75.55	1	871
Dec	75.99	+0.16	75.98	75.80	316	10,467
Total					11,538	95,299

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	69.90	+1.70	69.00	68.50	3,290	2,461
Jan	72.20	+1.60	72.50	70.00	2,928	20,865
Mar	75.55	+1.60	75.70	73.50	682	11,636
May	78.60	+1.35	78.80	76.80	317	2,702
Jul	81.80	+1.30	80.50	80.20	162	1,164
Sep	84.80	+1.25	83.75	83.25	1	712
Total					7,399	40,285

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 3	Oct 31	month ago	year ago
1821.7	1820.3	1890.9	1852.8

■ CRB Futures (Base: 1967 = 100)

Oct 31	Oct 30	month ago	year ago
240.04	240.58	-	-

■ GSCI Spot (Base: 1970 = 100)

Oct 31	Oct 30	month ago	year ago
208.15	207.64	201.73	203.75

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,250	to	741,650
Aluminium alloy	-200	to	47,600
Copper	+3,300	to	341,150
Lead	-225	to	116,225
Nickel	+72	to	68,660
Zinc	+875	to	455,950
Tin	-55	to	9,855

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.125	-0.400	67.775	67.100	7,527	39,350
Feb	68.850	+0.075	69.000	68.500	3,948	25,265
Apr	72.325	-0.025	72.525	72.125	782	14,520
Jun	69.825	-0.050	70.000	69.650	532	10,788
Aug	69.725	-	69.900	69.675	215	3,601
Oct	72.000	-0.200	72.250	72.150	3	1,164
Total						

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Dec	61.950	-0.275	62.550	61.800	3,273	18,956
Feb	62.475	+0.350	62.550	61.800	2,440	9,764
Apr	58.825	-0.175	59.250	58.750	368	4,130
Jun	66.375	-0.075	66.575	66.075	631	2,851
Jul	64.700	-0.275	65.650	64.700	19	945
Aug	63.500	-0.500	63.600	63.400	14	232
Total						

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	64.725	+0.025	64.750	63.950	1,725	6,082
Mar	64.450	+0.075	64.500	63.750	171	909
May	64.325	+0.525	64.600	64.000	26	298
Jul	65.725	-0.375	67.000	65.300	15	160
Aug	62.250	-	63.500	62.250	-	10
Total						

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1500	117	151	4	17
1600	42	84	29	48
1700	8	40	95	102
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1900	121	148	17	50
2000	57	93	53	94
2100	21	54	117	153
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	181	105	-	35
1450	131	73	-	53
1500	81	50	-	80
■ COCOA LIFFE	Dec	Mar	Dec	Mar
1050	12	57	32	51
1075	6	48	51	67
1100	3	40	73	84
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1950	-	128	14	-
2000	39	92	35	-
2050	23	78	82	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$19.14-9.20w	-0.040
Brent Blend (dated)	$19.43-9.47	-0.110
Brent Blend (Dec)	$20.10-0.14	-0.120
W.T.I.	$21.10-1.12w	-0.180

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$204-206	-2
Gas Oil	$185-186	-0.5
Heavy Fuel Oil	$102-104	
Naphtha	$197-198	
Jet fuel	$203-206	
Diesel	$194-195	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	15.65-15.75

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

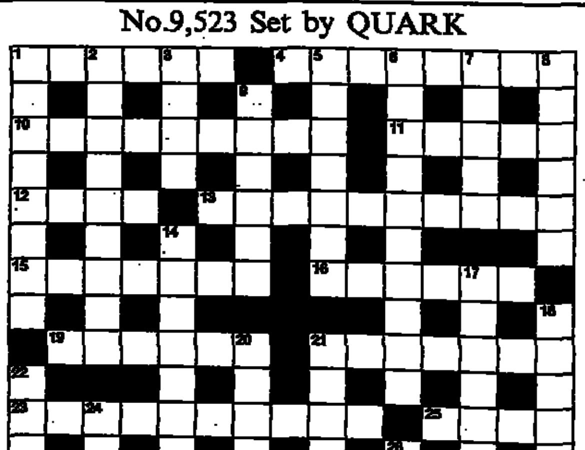
Gold (per troy oz)♣	$314.35	+1.80
Silver (per troy oz)♣	488.00c	+4.50
Platinum (per troy oz.)	$407.00	+1.25
Palladium (per troy oz.)	$209.00	+2.00
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	18.41r	
Tin (New York)	259.5	+1.0
Cattle (live weight)	96.26p	-0.54*
Sheep (live weight)	101.30p	+1.02*
Pigs (live weight)†	77.29p	+1.25*
Lon. day sugar (raw)	$292.50	+3.50
Lon. day sugar (wte)	$308.60	+4.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.60p	
Rubber (KL RSS No1)	294.0z	+0.5
Coconut Oil (Phil)§	602.5z	-2.5
Palm Oil (Malay.)§	526.0z	
Copra (Phil)§	$410.0	
Soyabeans (US)	165.0	-2.0
Cotton Outlook'A' Index	77.45c	
Wooltops (64s Super)	408p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Nov/Dec. w Dec. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on n/a head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,523 Set by QUARK



ACROSS

1 Repeat item in French centre (6)
4 Not a brainy lot, but sturdy (8)
10 Men taking risk go off. Could be puffed out? (5,4)
11 With reference to downfall, one leaves race to be repeated (5)
12 Send protective clothing (4)
13 He has lots to deal with (10)
15 Fastened chalet somehow by day (7)
16 Agree to account and give up (6)
19 Show apprehension of call in church (6)
21 Tripe's cooked with bit of onion for quick return (7)
23 Carroll was one for Dodgson (3-2-5)
25 Handled the material (4)
27 Part of item on ground making comeback in garden? (5)
28 Possibly vetting a French card game (5-2-2)
29 Behaving unusually, m-managed to get in a wager (8)
30 Turn in the answer very quickly (6)

DOWN

1 The outfit for everyone taking part (8)
2 Bit of rags to riches about this singer? (9)
3 Grass released without leader (4)
5 Evening meal taken during flight? (4,3)
6 Not the original type – an exact duplicate (6,4)
7 Work unit in the south-east making fabric (5)
8 One way nut is raised in the Arctic plain (6)
9 51 pounds – that's the solution (6)
14 Driver may need to do it, to get a new outfit (6,4)
17 Nonconformist sends rite out (9)
18 Pass judgment on a bit of writing (8)
20 Different line with vendor half awake (7)
21 Man owing money, apparently, to return to custody (6)
22 Nige is confused with academic puzzle (6)
24 Animal to make noise at area round Kent? (5)
26 Soaks up state of anxiety (4)

Solution to Saturday's prize puzzle on Saturday November 15.
Solution to yesterday's prize puzzle on Monday November 17.

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هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

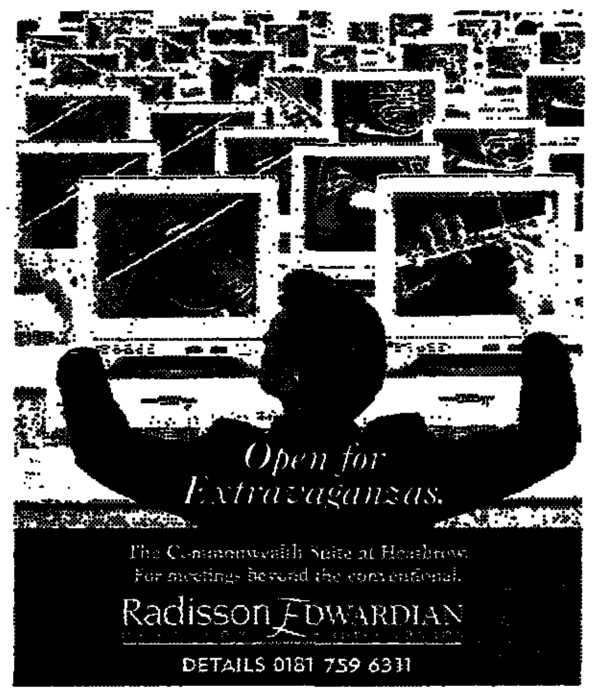
BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)



IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Professional Investment Consultants

	Selling Price	Buying Price	+ or -	Yield Gross
Premier Lux $	$1.38	1.49	—	-
Premier Lux £	£1.33	1.40	—	-
PCI Worldwide Opps	£1.330	1.430	—	-
SPILA Flexible Growth	$1.036	1.115	(z)	-

Royal Life International

Royal Court, Arbory Rd, Castletown IoM 01624 827212

	Selling Price	Buying Price	+ or -	Yield Gross
Pension Growth A	£1.793	1.929	—	-
Pens Growth (Bonus)		£2.802	—	-
Royal Life UK Mngd Fd	£2.521	2.711	—	-
Royal Life Gilt Fd	£2.614	2.811	+0.007	-
Royal Life UK Eqs Fd	£2.227	2.395	-0.159	-
Royal Life Euro Fd	£2.461	2.636	-0.195	-
Ryl Life Intl Gwth Fd	£1.464	1.584	-0.108	-
WIA Growth Fd	£1.313	1.412	—	-
S.A.M. 1	£2.088	2.177	—	-
S.A.M. 2	£1.589	1.673	—	-
S.A.M. 3	£2.338	2.460	—	-
S.A.M. 4	£1.986	2.089	—	-

SEA Associates

	Selling Price	Buying Price	+ or -	Yield Gross
Argentina Eqty Inc I Sep 30	$72.08		—	-
Argentina Eqty Inc II Sep 30	$73.20		—	-
Brazilian Eq Inc I Ltd Sep 30	$307.19		—	-
Brazilian Eq Inc II Ltd	$32.83		—	-
Sth America NAV Oct 9	$5.36		—	-

BNP

	Selling Price	Buying Price	+ or -	Yield Gross
FIT – Millbors 1	$1283.15		(z)	-

BZW Mldas US IT

	Selling Price	Buying Price	+ or -	Yield Gross
BZW Mldas A Shs (z)	$19.34		—	-
BZW Mldas B Shs (z)	$14.97		—	-

Julius Baer Bank & Trust Co Ltd

Dubin Fund

Banca Reig. S.A. (Principality of Andorra)

Banco do Brasil–BB Fund

Banc Internacional D'Andorra Banca Mora

Bank of America

Bank of Nova Scotia Trust Co (Cayman) Ltd

Bank Von Ernst & Cie AG

Banque Nationale de Paris Plc

Barclays Diversified Fund

Barclays Global Investors Hong Kong Ltd

DWS Deutsche Ges. F. Wertpapiersp

Delta Managed Funds Limited

Deltec Panamerica Trust Company Ltd

Deutsche Bank A.G.

Discover Investment

Dragon Securities Ltd

Dresdner Bank Investment Group

Dubin & Swieca

ESS Overseas Fund Ltd

Global Asset Management - Contd.

INVESCO Asset Management

INVESCO France

The Japan Fund N.V.

Jardine Fleming Inv Mngt Ltd

Magnum Funds

Orion Capital Advisors Ltd

Oryx Fund Ltd

Oryx (India) Fund Ltd

Oryx International Growth Fund Ltd

The Osprey Group Of Funds

Selective Assets Series Fund Limited

Shiozuml Investment Mngmt (Bermuda) Ltd

Shira Fund Ltd

Sloane Robinson Investment Mngmt Ltd

Group One International Tst

	Selling Price	Buying Price	+ or -	Yield Gross
GNMA UCITS Series 1	$202.19		-0.10	-
GNMA UCITS Series 2	$432.80		-0.15	-
GNMA UCITS Series 3	$769.38		-0.58	-
GNMA UCITS Series 4	$810.98		-0.41	-
Intl Second Consolidated Bd Ser	$894.31		-1.09	-
Sel Ser Year Ahead US	$1150.65	1174.10	+16.71	-
Sel Ser Year Ahead Europe	$1052.89	1074.24	+10.34	-
GNMA Pfio Govt Secs Inc	$1028.45	1050.54	-0.23	6.61
Select 25 Portfolio UCITS	$1065.38	1085.36	+6.19	-

KD Offshore Fund, C.V.

Kenmar Management Limited

Key Asset Management Inc

	Selling Price	Buying Price	+ or -	Yield Gross
Key Hedge Oct 29	$223.59		—	-
Key Global Hedge Oct 29	$349.88		—	-
Key Asia Oct 29	$125.53		—	-
Key BDM Emerging Value Oct 29	$215.53		—	-
Key Longwood Oct 29	$142.77		—	-

KI Asia Pacific Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
KI Asia Pacific	$13.75	13.88	—	-

King Street Capital Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Sep 30	$110.32		—	-

Gryphon Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Gryphon Hond Fd Ltd Sep 30	$95.16		—	-
Pacific Performance Ltd	$100.60		—	-

Guardian Global Asset Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Growth NAV Sep 26	$135.0161		—	-
Promoter NAV Sep 26	$126.3403		—	-
Geared NAV Sep 26	$142.5007		—	-

HSBC Asset Management (Bahamas) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Japanese Eqty Tactical	$5.65	5.99	—	-
Asian Countries Tact	$14.25	15.09	—	-
European Countries Tact	$16.54	17.51	—	-

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£23½	—	*£27⅛	£20¼	1,800	2.9	Φ
Barlow	§†	£8¼	—	£9⅞	£5½	1,258	2.2	19.0
Gold Flds Prop R		139½	+½	197	122	143	5.8	11.5
SA Brews		£16⅝	+⅝	£23⅛	£13¼	4,783	2.2	Φ
Standard Bank		£28¾	+1¾	£30	£21	3,048	2.1	–
Tiger Oats	†	950	–25	1100	790	1,436	1.8	19.5
Tongaat-Hulett		734¼	—	780	676¼	712.9	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid as whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Footsie up sharply but turnover disappoints

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market made a determined attempt yesterday to put the events of the past two weeks well behind it.

Strong gains in south-east Asian markets and the US on Friday, and at the outset of trading on Wall Street yesterday, helped to restore some of investors' flagging morale.

At the close of a session marked by the lack of genuine business, the FTSE 100 index recrossed the 4,900 level lost in such dramatic fashion at the start of last week. It eventually settled 64.1 higher at 4,906.4, having posted a three-figure gain – up 102.3 – at its best of the day.

Although by no means as strong as the leading index, the rest of the market also managed to record good gains. The FTSE 250 ended the session 20.4 ahead at 4,663.6 and the FTSE SmallCap added 8.0 at 2,320.2.

Dealers welcomed what they described as a day of much-needed calm and tranquility.

"The market needs a period of relative stability which would allow investors time to regain their confidence," said one trader who maintained that the underlying tone of the market remains cautious. But he warned of plenty of potential pitfalls in the short term, in the form of further volatility in south-east Asia, as well as crucial economic news on both sides of the Atlantic.

The UK's monetary policy committee meets on Wednesday, with the outcome of their deliberations to be made known at noon on Thursday. Few observers expect the committee to recommend an increase in rates then, but a rise of 25 basis points is expected before the end of the year.

In the US, the non-farm payroll report for October is due on Friday. That may determine whether the US Federal Reserve's Open Market Committee opts to increase interest rates on Wednesday week.

Yesterday's session began well, with institutions said to have been happy to enter keen bids for the leading stocks in the wake of the near 6 per cent rise in Hong Kong.

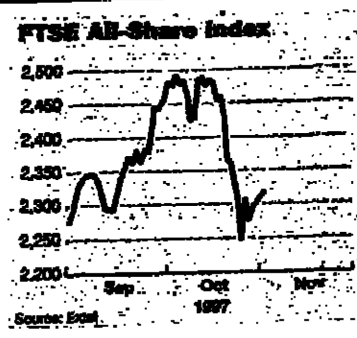
The 60-point gain in the Dow Jones Industrial Average last Friday was seen as encouraging, given that the Dow was level at the London close.

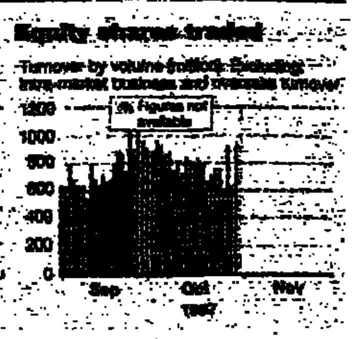
A rise in the UK purchasing managers' index to 53.7 in October against the previous month's 52.7, and a slightly higher than expected M0 money supply figure, saw gilts under modest downside pressure but caused few problems for equities.

Banking stocks, badly mauled in the market sell-off, were among the day's biggest winners, especially HSBC which recaptured over half of last week's fall.

There was mixed news for the retailers, however, with Marks & Spencer aggressively bought ahead of today's interim report, which some expect to include details of a substantial expansion programme. But Next was the worst Footsie performer, amid talk that it might launch a bid for Etam, the fashion retailer.

Turnover in equities at 6pm was a lowly 575m shares.





Indices and ratios

FTSE 100	4906.4	+64.1
FTSE 250	4663.6	+20.4
FTSE 350	2368.4	+26.9
FTSE All-Share	2318.98	+25.11
FTSE All-Share yield	3.33	3.39
FT 30	3171.9	+48.1
FTSE Non-Fins p/e	19.67	19.58
FTSE 100 Fut Dec	4965.0	+115.0
10 yr Gilt yield	6.64	6.60
Long gilt/equity yld ratio	1.99	1.95

Best performing sectors

1 Banks: Retail .... +2.2
2 Oil: Integrated .... +2.1
3 Diversified Industrials .... +2.0
4 Insurance .... +2.0
5 Extractive Industries .... +2.0

Worst performing sectors

1 Household Goods .... –2.0
2 Building & Construction .... –0.8
3 Pharmaceuticals .... –0.1
4 Retailers: Food .... –0.0
5 Oil Exploration & Prod .... –0.0

Glaxo hit by warning

By Peter John, Martin Brice and Alexander Stevenson

Glaxo Wellcome failed to take part in yesterday's rally as a statement from Warner Lambert of the US cast a shadow over the stock.

Warner said it had changed the label for its Rezulin diabetes drug to include a warning that it could cause liver problems, in a small number of patients.

With the label change, doctors will be required to administer liver function tests to patients between one and two months after they begin taking Rezulin and periodically thereafter.

Glaxo markets a similar product in Europe which it sells as Romozin. Launched in the UK in October, Romozin has peak sales projected at £300m and the Warner statement prompted a sell-off in the shares.

The stock had been comfortably higher in early trading but came off in the afternoon despite a strong overall opening for the Dow Jones Industrial Average, to which Glaxo is heavily exposed.

The shares had been up 29 at best but ended the day just 2 higher at £12.80 on the order book. **SmithKline Beecham** closed 5½ lower at 559½p, although analysts said the company was not exposed to the diabetes concerns.

Optimism ahead of third-quarter numbers today, and a firmer underlying oil price, lifted BP.

The shares jumped 17¼ to 893½p as the market looked for profits between £605m and £700m, against £650m for the same period last year.

Analysts also hope there might be more pointers to cost-cutting, particularly within the European joint venture with Mobil of the US. Finally, tensions in the Gulf continued to boost the underlying oil price.

Cost-cutting, production growth and strong downstream margins have enabled the leaders to overcome the sharp slide in oil prices, which have only recently started to recover. Oil has fallen from $21.08 a barrel a year ago to an average of $18.65 during the third quarter.

Shell Transport, which reports on Thursday and is forecast to announce profits of between £1.03bn and £1.27bn, lifted 10¼ to 433p.

British Airways gained 6½ to 588½p ahead of interim figures due tomorrow, despite the expectation that a series of downgrades are likely to stem from the results.

Analysts expect the strike by cabin crew and adverse currency effects to leave BA with pre-tax profits of £150m, down from £312m. NatWest Securities has an "add" stance on the stock, which stood at 760p in May, and has told clients that load factors should recover in the second half, restructuring is on schedule and news on alliances should be positive during the next year.

Elsewhere in the transport sector, which has outperformed the FTSE All-Share index by 6 per cent since the beginning of October, the bus companies had another strong day. **Cowie Group** was up 2 at 358½p, **National Express** rose 2 to 557½p and **Stagecoach** gained 8½ to 737½p.

Research by Nigel Davies at Panmure Gordon suggested that a fair value for Cowie Group would be 445p, while National Express is worth 585p a share and Stagecoach 742p.

BAe advanced 35 to £16.17, boosted by two factors. US Airways said it was to buy up to 400 aircraft from the Airbus Industrie consortium, of which BAe is a member. There were also growing hopes of further consolidation in the defence industry after a weekend newspaper report that BAe was trying to open talks with GEC, which gained 5¾ to 386½p.

The automotive engineering sector was highlighted by a weighty research document published by Charterhouse Tilney Securities which focused on GKN and LucasVarity as long-term holdings for investors in a growth industry undergoing great change. GKN, for which Guy Hewett at the broker has a price target of £15, spent the day in positive territory before it eased a penny to £13.36. The stock was helped by news that the company was close to winning tank contracts from Oman and Qatar and was in talks to sell part of its defence business to Vickers, up 1½ at 229½p.

LucasVarity, for which Mr Hewett has set a target of 240p, gained 3¼ to 208p. The Charterhouse analyst told clients to buy into the share price weakness he expects to occur until cost-cutting measures take effect, but that the "1998 rating of 10 times does not reflect the earnings potential inherent in LucasVarity's product base".

Mayflower, ahead 3p at 203p, and **Britax**, firmer at 127½p, were also tipped as buys.

However, **T&N**, the subject of a 235p bid from Federal-Mogul, was indicated as a "hold" despite his valuation of 270p-300p which recognises "that a rival bidder may pay well in excess of 300p". The stock firmed to 251p.

The partners in **Diageo, Guinness** and **GrandMet**, were keenly sought in brisk trade after investors were told they would be receiving 70p a share as a result of the merger, worth about £2.8bn. This will be an increase on the 60p a share investors had been expecting. Guinness rose 14¼ to 547½p in trade of 2.3m, while GrandMet appreciated 6½ to 544½p in trade of 10m.

Shares in **Liberty**, the department store group, shot up 25 to 377½p after it announced it was open to offers from potential buyers. Several substantial shareholders, including the Stewart-Liberty family, announced they will resist the move, which follows recent wranglings about the composition of the board and the position of Denis Cassidy, chairman.

Shares in clothing retailer **Blacks Leisure Group** rose 5¼ to 442½p after it announced interim profits of £5.3m, 36 per cent up on last year. SocGen raised its end-of-year profits forecast by £200,000 to £13.5m.

Hay & Robertson, the clothes manufacturer, was in rude health yesterday. Shares rose 12 to 176½p as they released a clothing range promoted by Ruud Gullit, the player-manager of Chelsea football club.

Wise Speke, the company's broker, kept its profit forecast unchanged at £2.1m for the 15 months ending in December.

Reckitt & Colman, the household products group, fell 27 to 887½p as the market began to wonder about the company's exposure to troubled international markets.

One analyst said Reckitt generates 7 per cent of sales in south-east Asia, where confidence has taken a bad hit. And the company is exposed to Brazil, which has also been in the global market firing line recently.

FT 30 INDEX

	Nov 3	Oct 31	Oct 30	Oct 29	Oct 28	Yr ago	*High	*Low
FT 30	3171.9	3123.8	3161.7	3207.3	3161.0	2795.0	3430.3	2668.6
Ord. div. yield	3.55	3.60	3.61	3.56	3.63	4.08	4.22	3.29
P/E ratio net	20.69	20.44	20.36	20.66	20.28	16.91	22.33	15.80
P/E ratio nil	20.41	20.16	20.09	20.38	20.01	16.75	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3124.3	3158.3	3157.5	3161.2	3174.5	3185.3	3176.0	3189.5	3184.1	3189.5	3124.3

	Nov 3	Oct 31	Oct 30	Oct 29	Oct 28	Yr ago
SEAQ bargains	47,870	44,706	56,562	77,192	91,372	35,647
Equity turnover (£m)†	–	NA	NA	3172.5	2469.0	1246.0
Equity bargains†	–	NA	NA	71,611	66,148	26,174
Shares traded (ml)†	–	NA	NA	952.4	614.4	525.4

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,100	Total Highs	29	Total contracts	22,539
Total Falls	447	Total Lows	43	Calls	8,125
Same	1,506			Puts	14,414

Nov 3 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4950.0	4965.0	+115.0	4985.0	4915.0	8689	69154
Mar	4970.0	5006.0	+116.0	4976.0	4970.0	129	5710

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4685.0	-5.0			0	9351

■ FTSE 100 INDEX OPTION (LIFFE) (*4930) £10 per full index point

	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P
Nov	290	82½	253½	114	219	123½	189½	143½	160½	165	131	187½	109	219	86	247½
Dec	376	159½	346	173½	316	195	281	214	252	234½	222½	256	197	281	175	310½
Jan	416	189	385	209	358	230	326½	251	297	271	268	293	239	317	217½	347
Feb	468½	217	440½	238½	412½	260½	384½	282½	357	305	329	328	301	352	277½	380½
Jun†			557	324½			499	366			440½	409			389½	480½

Calls 2,128 Puts 1,217

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P
Nov	263½	97	230½	114	198	131½	168	151½	141	173½	118	201	94½	227	76½	258½
Dec	356½	167½	324½	186	292	203	262½	222½	234½	244½	210½	270	183½	292½	160½	319
Jan	405½	200½	374	219	343½	236½	314½	259½	287	282	260½	305½	236	331	212½	357½
Mar			455	279			394	315			339½	358			291½	407½
Jun†			555	335½			494½	370½			438½	410			386	453

Calls 2,495 Puts 6,103 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	102¼	100½	Asset Mn Zero Dv	101¼	+½	-	-	-	-
-	F.P.	1,354	30½	30½	BG 'B'	30½		-	-	-	-
-	F.P.	0.74	17½	16½	†Buckland Inv	17½		-	-	-	-
-	F.P.	0.08	12	8	†Buckland Inv Wt	10		-	-	-	-
155	F.P.	16.8	176½	162½	Latchways	157½	+½	-	-	-	-
§110	F.P.	9.25	94½	87½	Leicester City	92½	-1	-	-	-	-
§88.5	F.P.	27.1	102½	85½	†Marlborough Intl	102½	+2	b-	-	-	17.4
*	F.P.	85.5	99½	70½	†Metalrussia	85½		-	-	-	-
§115	F.P.	16.3	170½	140	†NSB Retail Sys	167½		L1.15	1.8	0.9	65.0
250	F.P.	468.0	252½	225	Newsquest	234xd	+½	W5.4	3.0	2.9	14.4
70	F.P.	27.9	63½	53	Nott'ham Forest	61½		-	-	-	-
-	F.P.	601.7	2180	2120	Nycomed Am N/V	2180	+2½	18.0	2.8	0.9	49.1
§245	F.P.	150.1	287½	245	SHL Group	281½	+2½	LW4.5	-	2.0	-
§148	F.P.	8.69	192½	152½	†Solitaire	190½		R6.0	1.2	3.9	14.2
§147	F.P.	164.7	177½	157½	Ultraframe	177½	+5	R3.5	2.1	2.5	23.8
§79	F.P.	6.09	97½	85½	†Weather Action	90½	-2	-	-	-	-
§110	F.P.	58.1	117½	108½	Xaar	110	-1½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Oct 31	% chg on day	Oct 30	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1241.83	-1.0	1253.56	1877.76	2.35	-	1995.11	1218.35
■ Regional Indices								
Africa (15)	1247.16	+2.1	1221.95	2485.54	5.95	21.83	2502.51	1192.32
Australasia (6)	1224.65	+4.0	1177.01	2122.71	3.19	14.84	2217.60	1135.38
North America (12)	1257.21	-2.5	1289.85	1674.24	1.07	46.74	1639.77	1227.49

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 3	Day's chge%	Oct 31	Oct 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4906.4	+1.3	4842.3	4801.9	3926.1	3.29	2.70	2.08	18.31	130.49	2111.81
FTSE 250	4663.6	+0.4	4643.2	4624.0	4418.4	3.55	2.93	1.78	19.66	130.53	1965.63
FTSE 250 ex IT	4692.7	+0.4	4674.3	4654.5	4460.6	3.69	3.03	1.82	18.63	135.36	1985.45
FTSE 350	2368.4	+1.1	2341.5	2323.9	1962.4	3.35	2.74	2.01	18.55	63.65	2092.69
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	[illegible]										
FTSE SmallCap ex IT	[illegible]										
FTSE All-Share	[illegible]										
FTSE All-Share ex IT	[illegible]										

■ FTSE Actuaries Industry Sectors

	Nov 3	Day's chge%	Oct 31	Oct 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION	[illegible]										
70 FINANCIALS(105)	4500.28	+1.8	4422.59	4396.05	3264.85	3.29	2.66	2.42	15.88	129.72	2049.58
71 Banks, Retail(11)	6672.44	+2.2	6530.22	6514.52	4702.09	3.14	2.51	2.54	15.69	196.05	2301.88
73 Insurance(17)	2042.52	+2.0	2002.38	1979.63	1539.98	4.31	3.55	2.87	10.10	83.95	1657.82
74 Life Assurance(6)	5200.65	+0.5	5172.85	5123.28	3705.56	3.51	2.89	2.26	15.71	162.17	2269.78
77 Other Financial(27)	3331.89	+0.6	3313.62	3260.76	2708.32	3.23	2.83	2.04	18.94	82.15	1997.92
79 Property(42)	2185.90‡	+1.0	2164.72	2133.95	1645.45	3.02	2.42	1.34	30.88	42.08	1411.28
80 INVESTMENT TRUSTS(128)	3355.47	+1.2	3316.98	3305.48	3128.67	2.27	1.82	1.16	47.54	58.55	1208.64
89 FTSE All-Share(900)	2318.98	+1.1	2293.87	2277.32	1938.07	3.33	2.73	1.99	18.86	61.96	2069.60
105 FTSE All-Share ex IT(774)	2322.86	+1.1	2297.75	2280.82	-	3.37	2.76	2.01	18.52	31.18	1056.41
FTSE Fledgling	1267.68	+0.5	1261.68	1258.30	1224.47	3.24	2.60	1.25	30.51	38.90	1384.74
FTSE Fledgling ex IT	1284.98	+0.4	1280.40	1276.79	1238.61	3.55	2.85	1.30	27.02	35.58	1407.34
FTSE AIM	989.4	+0.3	986.6	983.7	-	1.11	0.88	0.33	80.00†	6.71	909.47

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	4897.4	4899.0	4890.6	4919.0	4938.9	4926.7	4935.7	4929.9	4944.6	4877.0
FTSE 250	-	4651.5	4655.5	4656.9	4658.1	4660.0	4661.5	4664.5	4664.7	4665.6	4649.6
FTSE 350	-	2363.7	2360.5	2361.6	2372.8	2380.7	2376.1	2379.9	2377.7	2382.9	2355.6
FTSE SmallCap	2313.51	2314.98	2316.27	2316.58	2316.86	2317.46	2318.15	2318.81	2320.1	2320.22	2313.81
FTSE All-Share	-	2314.35	2311.44	2312.52	2322.75	2330.03	2326.65	2329.36	2318.98	2332.06	2306.85

Time of FTSE 100 Day's high: 1:02 PM Day's low: 9:33 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 1:02 PM Day's low: 9:33 AM. FTSE All-Share 1997 High: 2462.41 (03/10/97) Low: 1969.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Deletion: BZW Convertible Trust (80) & (FTSE SmallCap).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	407	484	+10½
AMVESCAP	161	390	-5
ASDA Group†	2,800	153½	-1½
Abbey National†	1,300	984	+18
Airtours	41	1182½	
Alliance & Leicester†	594	683½	+½
Allied Domecq†	589	499	+12½
Anglian Water	650	790	-11
Argos	1,700	682½	+21
Arjo Wiggins	4,700	179½	-½
Assoc. Brit. Foods†	3,400	481	+1
Assoc. Brit. Ports	66	285	+1
BAA†	1,400	535½	+5½
BAT Inds† … Zeneca†	[illegible]		

Based on trading volume for a selection of major securities … Source: Extel, part of FT Information.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 3 / Sch)

BELGIUM/LUXEMBOURG (Nov 3 / Frs.)

CZECH REP (Nov 3 / Koruna)

DENMARK (Nov 3 / Kr)

FINLAND (Nov 3 / Mka)

FRANCE (Nov 3 / Frs.)

GREECE (Nov 3 / Drachma)

ITALY (Nov 3 / Lira)

GERMANY (Nov 3 / Dm.)

NETHERLANDS (Nov 3 / Fls.)

NORWAY (Nov 3 / Kroner)

POLAND (Nov 3 / Zloty)

PORTUGAL (Nov 3 / Escudo)

SPAIN (Nov 3 / Pts.)

SWEDEN (Nov 3 / Kronor)

SWITZERLAND (Nov 3 / Frs.)

TURKEY (Nov 3 / Tk Lira)

PACIFIC

JAPAN (Oct 31 / Yen)

HONG KONG (Nov 3 / H.K.$)

INDONESIA (Nov 3 / Rupiah)

MALAYSIA (Nov 3 / MYR)

NEW ZEALAND (Nov 3 / NZ $)

SINGAPORE (Nov 3 / S$)

AUSTRALIA (Nov 3 / Aust$)

SOUTH KOREA (Nov 3 / Won)

TAIWAN (Nov 3 / TW $)

THAILAND (Nov 3 / Baht)

AFRICA

SOUTH AFRICA (Nov 3 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 3 / Can $)

4 pm close

MONTREAL (Nov 3 / Can $)

4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 31 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 30 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	203.51	1.7	179.92	154.72	182.10	192.02	0.9	4.00	200.17	178.06	152.19	179.32	190.30	243.87	190.41	213.66
Austria (24)	198.33	2.8	176.33	150.78	177.46	177.41	2.7	1.85	192.89	171.59	146.66	172.80	172.74	213.59	175.14	180.99
Belgium (27)	247.60	1.8	218.89	188.23	221.54	216.81	1.6	3.18	243.35	216.47	185.02	217.99	213.35	261.11	219.71	220.07
Brazil (30)	212.77	0.2	188.10	161.75	190.38	431.78	-0.1	1.69	212.42	188.95	161.50	190.28	432.05	322.44	178.94	181.95
Canada (123)	214.42	0.9	189.56	163.01	191.86	218.77	0.8	1.78	212.52	189.05	161.58	190.38	216.72	233.68	178.27	182.73
Denmark (32)	410.36	0.5	362.79	311.97	367.18	365.62	0.4	1.40	408.41	363.30	310.52	365.86	364.25	429.78	327.98	330.97
Finland (26)	310.65	1.5	274.63	236.17	277.96	336.88	1.3	1.85	306.01	272.21	232.66	274.13	332.63	349.43	216.01	217.81
France (84)	226.36	0.4	200.12	172.09	202.54	204.38	0.1	2.61	225.36	200.47	171.34	201.88	204.19	246.23	201.56	202.15
Germany (58)	213.67	0.0	188.90	162.44	191.19	191.19	-0.1	1.51	213.73	190.13	162.50	191.47	191.47	243.87	179.65	179.66
Hong Kong, China (66)	367.53	2.6	324.92	279.41	328.85	364.72	2.6	4.34	358.04	318.50	272.22	320.74	355.33	580.03	314.78	466.06
Indonesia (27)	123.64	0.1	109.30	93.99	110.63	273.43	-0.2	2.49	123.53	109.88	93.92	110.66	273.94	254.90	101.96	203.64
Ireland (17)	377.09	1.0	333.37	286.68	337.41	353.18	0.7	2.74	373.24	332.01	283.77	334.35	350.89	394.88	310.26	313.71
Italy (53)	106.50	0.8	94.16	80.97	95.30	134.43	0.5	1.77	105.90	94.21	80.52	94.87	133.75	115.27	75.44	75.71
Japan (484)	109.85	0.0	97.11	83.51	98.29	83.51	0.0	0.95	109.83	97.70	83.51	98.39	83.51	143.36	107.57	137.62
Malaysia (107)	232.66	3.4	205.68	176.88	208.18	300.17	0.3	2.38	224.93	200.09	171.02	201.50	299.13	660.85	222.86	577.40
Mexico (27)	1510.26	0.2	1335.18	1148.18	1351.36	13903.63	0.8	1.75	1507.73	1341.19	1146.33	1350.64	13788.44	1901.98	1136.59	1136.59
Netherlands (19)	402.43	0.4	355.78	305.95	360.09	358.48	0.3	2.34	400.74	356.48	304.68	358.99	355.44	440.67	307.19	307.99
New Zealand (14)	83.25	1.1	73.60	63.29	74.49	70.87	1.2	4.33	82.32	73.23	62.59	73.74	70.06	96.47	75.37	90.82
Norway (39)	350.22	-0.3	309.61	266.25	313.36	332.77	-0.6	1.85	351.45	312.63	267.21	314.83	334.71	374.64	284.95	284.95
Philippines (22)	83.62	0.1	73.93	63.57	74.82	147.42	1.2	1.44	83.51	74.29	63.49	74.81	145.70	214.07	78.40	186.41
Singapore (42)	235.45	3.5	208.16	179.00	210.68	170.68	3.0	1.85	227.56	202.43	173.02	203.85	165.79	448.01	215.21	383.29
South Africa (43)	286.37	6.3	253.17	217.71	256.24	301.23	5.8	2.83	269.34	239.59	204.78	241.28	284.84	370.12	259.47	335.71
Spain (33)	249.82	-1.1	220.85	189.92	223.53	275.10	-1.3	2.45	252.70	224.79	192.13	226.37	278.61	277.33	186.26	186.56
Sweden (43)	473.16	0.2	418.31	359.72	423.37	524.24	0.0	1.98	472.17	420.02	358.99	422.98	524.02	538.94	391.53	392.17
Switzerland (33)	313.52	2.1	277.18	238.35	280.53	271.42	1.7	1.23	306.96	273.05	233.38	274.98	266.94	329.59	231.69	242.17
Thailand (39)	29.09	-2.1	25.72	22.11	26.03	46.31	0.1	6.07	29.72	26.43	22.59	26.62	46.25	129.94	29.09	113.67
United Kingdom (215)	320.00	1.4	282.90	243.27	286.32	282.90	0.8	3.49	315.53	280.68	239.90	282.65	280.68	337.99	259.04	260.98
USA (633)	372.70	1.2	329.49	283.34	333.49	372.70	1.2	1.66	368.42	327.73	280.11	330.04	368.42	399.82	286.24	286.66
Americas (813)	339.17	1.1	299.85	257.85	303.48	286.16	1.1	1.67	335.39	298.34	254.99	300.44	282.94	365.75	262.17	262.45
Europe (711)	275.80	0.9	243.83	209.68	246.78	252.15	0.5	2.53	273.35	243.16	207.83	244.87	250.82	296.25	223.57	223.73
Nordic (149)	419.08	0.4	370.50	318.60	374.98	405.70	0.2	1.85	417.44	371.34	317.38	373.95	404.82	464.93	334.01	334.47
Pacific Basin (877)	120.21	0.5	106.27	91.39	107.56	92.94	0.4	1.57	119.61	106.40	90.94	107.15	92.61	160.96	117.29	153.96
Euro-Pacific (1588)	185.14	0.8	163.67	140.75	165.65	152.62	0.5	2.17	183.76	163.47	139.72	164.62	151.90	209.12	173.55	182.92
North America (756)	362.87	1.1	320.80	275.87	324.69	362.48	1.1	1.67	358.75	319.12	272.76	321.37	358.35	389.57	280.10	280.48
Europe Ex. UK (496)	246.17	0.6	217.63	187.15	220.26	229.59	0.4	1.97	244.70	217.67	186.05	219.21	228.73	267.07	198.98	199.09
Pacific Ex. Japan (393)	215.73	2.3	190.72	164.00	193.03	205.12	1.7	3.80	210.91	187.61	160.35	188.93	201.70	320.65	194.30	297.25
World Ex. US (1811)	188.67	0.8	166.79	143.43	168.81	159.26	0.6	2.15	187.14	166.47	142.29	167.65	158.38	212.89	176.94	184.99
World Ex. UK (2229)	240.90	0.9	212.97	183.15	215.56	214.63	0.9	1.72	238.67	212.31	181.47	213.81	212.80	262.69	211.16	212.69
World Ex. Japan (1960)	317.22	1.1	280.44	241.16	283.84	307.26	1.0	2.06	313.64	278.99	238.46	280.96	304.24	344.35	258.43	258.70
The World Index (2444)	247.63	1.0	218.92	188.26	221.57	220.84	0.8	1.91	245.21	218.13	186.44	218.67	218.87	269.47	216.61	216.78

Emerging markets: IFC Investable indices

Oct 31

4 pm close November 3

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¶ Dealings suspended.

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صورة من الاصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Oct 31	Oct 30	Oct 29	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7442.08	7381.67	7506.67	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.03	103.97	104.17	104.79 (31/7)	101.09 (14/4)	104.79 (31/7/97)	54.99 (1/10/81)
Transport	3131.46	3091.85	3135.19	3369.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	242.59	241.33	242.37	246.58 (27/10)	209.47 (25/4)	268.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7644.24 (7589.78) Low 7329.61 (7340.42) (Theoretical♣)
Day's high 7495.88 (7543.01) Low 7362.69 (7381.18) (Actual♣)

Standard and Poors	Oct 31	Oct 30	Oct 29	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	914.62	903.68	919.16	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials♥	1065.35	1052.53	1068.88	1146.82 (7/10)	865.42 (11/4)	1146.82 (7/10/97)	3.52 (30/6/32)
Financial♥	108.10	107.80	110.65	118.04 (7/10)	80.75 (2/1)	118.04 (7/10/97)	7.13 (4/8/74)
Others							
NYSE Comp.	481.14	475.83	482.93	514.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.64 (25/4/42)
Amex Comp	675.75	670.84	678.41	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (18/7/96)
NASDAQ Comp	1593.61	1570.41	1602.75	1745.86 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	433.26	428.66	434.87	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Oct 31	Oct 24	Oct 17	Year ago
Dow Jones Ind. Div. Yield	1.80	1.73	1.70	2.15
	Oct 29	Oct 22	Oct 15	Year ago
S & P Ind. Div. yield	1.55	1.47	1.47	1.95
S & P Ind. P/E ratio	24.60	25.98	25.95	22.80

US DATA

■ MARKET ACTIVITY

● Volume (million)	Oct 31	Oct 30	Oct 29
NYSE	638.070	712.230	777.660
Amex	27.448	31.931	37.628
NASDAQ	719.508	764.939	912.386

NYSE	Oct 31	Oct 30	Oct 29
Issues Traded	3,421	3,411	3,435
Rises	2,068	790	1,984
Falls	867	2,162	1,068
Unchanged	468	459	383
New Highs	56	31	49
New Lows	17	44	26

■ NYSE TRADING ACTIVITY — Volume : 638,070,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Waste Mngt	23,267,800	23¾	+⅝
Tel Brasilei	7,937,800	101⅜	+7⅞
Philip Morris	7,873,800	39⅝	+⅞
Compaq	7,405,600	63⅝	+2⅛
Sears Rbck	5,825,500	41⅞	+⅝
Polymer	5,110,700	9⅞	−2¼
Cap Sr Lvng	4,915,000	16⅝	+3⅛
Telebras	4,737,800	43⅛	+2⅞
Gen Electric	4,484,800	64⅞	+1⅞
Texas Inst	3,848,500	106⅞	+3⅞

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Polymer	9⅞	+2¼	+17.5
Benecks Hlth	24⅛	+2⅞	+9.8
Std Motor	21⅞	+1⅜	+6.9
SW Sec	22¼	+1⅜	+6.8
Downs			
Cap Sr Lvng	16⅝	−31⅛	−24.1
CanTV	43⅝	−6⅝	−17.8
Disco	40½	−4	−11
Fd Amer Ent	119⅝	−11⅛	−10.5

■ NASDAQ TRADING ACTIVITY — Volume :719,508,000

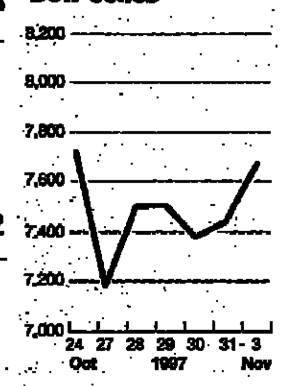
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	21,920,900	77	+1⅞
Dell Comp	13,854,500	80⅝	+2⅛
Cisco	12,154,200	82	+2¼
Appl Matl	11,480,000	33⅝	+1⅞
Boston Chck	9,463,900	8⅞	−1½
Oracle	9,227,400	35⅜	+2
Phycor	8,632,400	23¼	−⅞
FPA Med	8,598,200	24⅝	−4⅜
Midcom	8,561,500	1⅞	−5⅝
Ascend Cm	8,181,800	27	+⅜

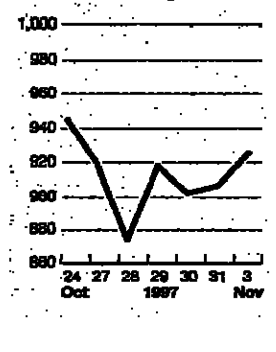
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Actrade Intl	24¼	+3⅞	+17.9
SCP Pool	24	+3½	+17.1
Sterigenic	22½	+3⅛	+16.9
FST Banc	28	+3⅝	+14.9
Downs			
RF Mono	13⅜	−6	−30.8
FPA Med	24⅝	−4⅜	−16.4
Cerner	24⅝	−4⅛	−15.6
Premisk	30⅞	−4⅛	−12.2

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 3	Oct 31	Oct 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	closed	16458.94	16364.94	20681.07	16312.69	38915.9	16312.7

■ TOKYO TRADING ACTIVITY — Volume : 473,000,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Nippon Stl	16,523,000	248	−5
Bk Tk-Mtsbsh	14,976,000	1570	+50
Hitachi	13,342,000	925	−40
Stomo Mtl In	12,630,000	241	−10
Mitsbsh Hvy	8,793,000	591	−29
Stomo Bank	8,789,000	1280	+10
NKK Corp	8,342,000	167	
Sakura Bk	7,891,000	491	+10
Nomura Sec	6,515,000	1400	−30
NEC Corp	6,414,000	1320	−40

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Np Kasei Ch	180	+25	+16.1
Kinki Shryo	260	+36	+16.1
Daido Cncr	198	+25	+14.5
Hokko Ch Ind	419	+49	+13.2
Downs			
Asgmn	2500	−270	−9.8
Tobisa Cnst	773	−81	−9.5
Nitto Cons	241	−25	−9.4
Dijet Ind	235	−23	−8.9

FRANCE

	Nov 3	Oct 31	Oct 30	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2787.96	2739.30	2739.47	3094.01	2256.97	3094.01	984.61

■ PARIS TRADING ACTIVITY — Volume : 366,040,990

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Fr Telecom	7,175,280	218.8	+0.5
Rh-Polnc A	1,418,109	255	+3.5
Usinor	1,381,508	97	+1.5
Axa-UAP	989,529	400.6	+5.6
Renault	794,980	157.5	−3
B.N.P.	687,478	283	+8
Valeo	630,395	384.9	+0.2
Eaux (C Gen)	581,475	702	+29
Michelin B	550,965	308.2	+12.3
Total B	505,127	652	+12

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
High Co	170	+19	+12.6
Cardif	800	+59	+8
Sadim	550	+38	+7.4
Gaumont	960	+65	+7.3
Downs			
Marocaine	87	−9.3	−9.7
Staco	200	−20.5	−9.3
Bqe Vernes	170	−10	−5.6
Sechilco	156	−8.5	−5.2

GERMANY

	Nov 3	Oct 31	Oct 30	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	3854.07	3726.69	3727.40	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 9,375,897

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Bayer	537,715	61.6	+1.1
Dt Telekom	529,107	33.7	+1.4
Dmlr-Benz	506,718	120	+4.5
Siemens	473,079	109.65	+3.55
BASF	424,988	59.9	+1.4
Commzbank	399,331	61.3	+2.8
Veba	375,326	99.4	+2.3
Dtsch Bk	374,846	115.1	+2.3
Lfthns Rg	295,389	31.45	+1.35
By Vereins	294,947	101.8	+1.8

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Cmptr 2000	500	+60.5	+13.8
Schlbch Lbca	380	+40	+12.5
Glunz	61	+6	+10.9
Rsco-Kieken	178.5	+13.5	+8.2
Thyssen	410.5	+30	+7.9
Downs			
Escada NV	213	−8.5	−4.3
Linotype HP	92	−3	−3.2
Histn Brau	340	−10	−2.9

UK

	Nov 3	Oct 31	Oct 30	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	4906.4	4842.3	4801.9	5330.80	4056.60	5330.8	985.9

■ LONDON TRADING ACTIVITY — Volume : 579,900,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
BT	12,958,570	455½	+2½
Grand Met	10,363,820	544½	+6½
SmKl Bchm	9,521,567	559½	−5½
Burford	8,175,335	107	+½
Sainsbury	8,111,133	498½	+1
Burton	8,034,020	128½	+1¾
Shell T&T	7,984,562	433	+10½
Sears	7,458,746	59	−1
Glaxo Wlcm	6,948,706	1280	+2
Centrica	6,815,194	84½	+¾

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Superframe	16½	+4½	+37.5
Recog Sys	23½	+4	+20.5
Topical Life	82	+13½	+19.7
Pan Andean	37½	+6	+19.0
Downs			
Auto Prec	17½	−10	−36.4
Forward Tch	13	−4	−23.5
BMS	94½	−22	−18.9
Future IntTel	64½	−10	−13.4

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	924.00	933.00	+9.00	938.90	921.10	62,329	192,508
Mar	944.00	943.90	+10.40	944.00	942.00	432	6,503
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	16140.0	16460.0	−	16610.0	16050.0	28,425	174,987
Mar	16150.0	16530.0	−	16530.0	16110.0	48	9,607

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2770.0	2796.0	+69.0	2822.0	2759.0	19,580	53,542
Dec	2780.0	2802.5	+63.5	2827.5	2769.0	1,248	17,820
■ DAX							
Dec	3845.0	3870.0	+95.0	3894.5	3839.5	19,971	76,193
Mar	3885.0	3909.0	+100.0	3923.5	3880.0	66	5,455

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2360.00	2376.00	+69.50	2382.00	2360.00	5,362	27,427
Dec	2370.50	2382.00	+71.00	2382.00	2370.00	18	1,882
■ SOFFEX							
Nov	5534.0	5595.0	+118.2	5600.0	5532.4	4,597	25,926
Dec	5552.0	5603.0	+148.0	5600.0	5552.0	38	318

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Nov 3	Oct 31	Oct 30	1997 High	1997 Low	✣ Yield	✣ P/E
Argentina	General	21038.58	20418.11	19639.65	25551.25 21/10	18237.37 2/1	3.65	17
Australia	All Ordinaries	2503.8	2454.8	2496.1	2778.20 25/9	2259.20 28/10	3.69	17.6
	All Mining	629.4	638.2	623.6	987.10 24/2	594.88 28/10		
Closed firm as investors took heart from bank share buyback talk and confident performance in HK.								
Austria	Credit Aktien	451.89	439.15	433.43	474.42 2/10	374.49 9/1	1.98	15.4
	Traded Index	1342.97	1307.02	1268.10	1489.49 31/7	1130.22 9/1		
Closed firmer helped by rebound in HK and strong dollar though investors remain nervous.								
Belgium	BEL20	2394.90	2336.84	2289.16	2621.90 28/7	1871.05 2/1	2.43	15.5
Boosted by foreign buyers amidst thin trading along with a strong dollar and a rising Dow Jones.								
Brazil	Bovespa	9589.0	8986.0	8855.0	13617.00 8/7	6958.59 2/1	0.92	na
Canada	TSE 100♦	414.06	407.25	403.42	438.48 7/10	342.12 11/4	1.75	20.5
	Metals Minls♦	4242.99	4188.27	4147.60	5891.75 10/3	4117.82 27/10		
	Composite♦	6939.00	6842.40	6783.70	7209.90 7/10	5678.30 14/4		
	Portfolio§§	3398.97	3341.90	3311.19	3547.68 7/10	2846.02 11/4		
Shares surged as banking sector drove higher								
Chile	IGPA Gen♥	5114.95	5071.22	5035.49	5868.71 4/7	4812.42 2/1	3.5	16.4
China	Shanghai B	64.98	63.99	64.82	98.21 7/5	60.78 9/1	1.17	72.6
	Shenzhen B	113.57	113.27	113.17	184.20 6/5	109.74 28/10		
Zhejiang Power jumped 8.1 per cent higher in active trade with demand from both domestic and overseas institutions.								
Colombia	IBB	(u)	1499.55	1497.37	1593.72 16/10	844.41 2/1	na	na
Czech Republic	PX 50	508.4	503.1	510.5	629.09 25/2	476.70 21/5	na	na
Denmark	CopenhagenSE	624.46	618.36	613.92	692.81 6/10	470.14 2/1	1.4	19.5
Closed slightly higher in low trading although investors remained wary of further market turbulence.								
Egypt	Cairo SE Gen	362.89	(c)	363.75	− −	− −	na	na
Finland	HEX General	3547.55	3443.47	3400.83	3899.81 22/10	2483.28 2/1	2.29	15
Rose sharply as foreign investors returned after the recoveries in HK and the US.								
France	SBF 250	1808.81	1782.81	1782.12	2003.43 31/7	1533.19 2/1	2.65	16.5
	CAC 40	2787.96	2739.30	2739.47	3094.01 3/10	2256.97 2/1		
Closed higher, even after late round of profit-taking, due to climbs on Wall Street and HK as well as a strong dollar.								
Germany	FAZ Aktien	1279.41	1255.71	1245.15	1481.44 31/7	988.21 2/1	1.55	18.6
	Commerzbank	3759.60	3677.90	3646.20	4336.78 31/7	2875.90 2/1		
	DAX‡	3854.07	3726.69	3727.40	4438.93 31/7	2848.77 2/1		
Boosted by Dow Jones rise and stronger dollar in low volume trading.								
Greece	Athens SE	1541.18	1498.53	1530.86	1794.14 8/10	984.54 2/1	3.07	15.7
Came back to close higher after a volatile session as money market rates eased.								
Hong Kong	Hang Seng	11255.11	10623.78	10362.86	16673.27 7/8	9059.89 28/10	3.47	10.8
	HSCC Red Chip	2478.21	2199.50	2003.19	4110.56 27/8	1885.38 28/10		
Strong rebound continued on the back of share buybacks and demand from local and US funds.								
Hungary	Bux	7375.97	7134.82	6860.75	9483.80 6/8	4291.30 6/1	na	na
Gained over three per cent as it benefited from foreign investors who were reinvigorated by recoveries in HK and the US.								
India	BSE Sens.	3790.82	(c)	3803.24	4548.02 5/8	3225.24 2/1		
	Crisil 500	700.80	(c)	721.16	843.28 5/8	622.71 2/1	na	na
Indonesia	Jakarta Comp.	501.71	500.41	502.87	740.83 8/7	447.99 28/10	2.32	14.2
Surged over 2 per cent at opening after government moves to close troubled banks, but late selling clipped gains								
Ireland	ISEQ Overall	3700.75	3573.81	3858.99	3924.05 14/10	2725.07 2/1	2.37	18
Rose slightly on the back of increases in Wall Street and HK; investors remained cautious in low trading.								
Israel	Mishtanim 100	280.48	(c)	279.02	311.76 6/8	214.15 2/1	na	na
Italy	BCI Comit 30	222.56	217.37	217.24	242.88 26/9	155.74 2/1	1.69	23.3
	Banca Com Ital	943.88	928.55	916.99	1096.69 22/10	642.55 2/1		
	Mibtel General	15089.0	14764.0	14705.0	16959.00 26/9	10488.00 2/1		
Followed Wall Street and Hang Seng to close higher. Sentiment helped by pension deal between government and unions.								
Japan	Nikkei 225	(c)	16458.94	16364.94	20681.07 16/6	16312.69 28/10	0.91	44.3
	Nikkei 300	(c)	249.03	248.33	309.71 26/7	246.47 28/10		
	Topix	(c)	1277.12	1275.21	1560.28 26/6	1263.11 28/10		
	2nd Section	(c)	1400.04	1403.90	1849.25 30/6	1372.32 28/10		
Closed for national holiday.								
Jordan	Amman SE	170.77	(c)	(c)	− −	− −	na	na
Malaysia	KLSE Comp.	716.72	664.69	(c)	1271.57 25/2	647.32 28/10	2.66	11.2
Rose sharply in response to finalisation of Indonesian rescue package and shares finished on their highs.								
Mexico	IPC	4770.36	4647.84	4629.50	5386.36 16/10	3369.46 2/1	1.3	16
Morocco	CASA	661.18	661.96	663.67	699.75 23/4	451.98 3/1	na	na
Netherlands	CBS TtlRtnGen	1050.7	1022.9	1019.4	1184.60 7/8	730.80 2/1	2.17	21.7
	CBS All Shr	602.7	586.7	584.9	694.40 7/8	429.00 2/1		
Ended slightly higher amidst thin trading helped by performance of hi-tech stocks and the Hang Seng.								
New Zealand	Cap. 40	2390.20	2355.83	2337.36	2835.48 22/10	2182.01 28/10	4.5	18.1
Index up on NZ Telecom jump, but brokers said market was becoming more stable after last weeks volatil								
Nigeria	SE All-Share	6524.09	6554.77	6574.57	− −	− −	na	na
Norway	Oslo SE Ind	2173.86	2143.78	2152.08	2287.58 22/10	1639.03 2/1	1.85	15.2
Maintained a cautious upwards trend in slow trading as investors remained sceptical about market stability despite HK ris								
Pakistan	Karachi SE	1852.77	1875.01	1815.12	2097.98 22/10	1341.31 7/1	na	na
Shares hit by position-squaring ahead of settlement day.								
Peru	Lima Gen	(u)	1858.03	1853.37	2269.40 10/7	1429.70 2/1	na	na
Philippines	Manila Comp	1825.26	1818.09	1813.16	3447.69 3/2	1740.18 28/10	1.39	11.2
Investors took profits in spite of positive third quarter bank results.								
Poland	WIG	15692.0	15371.9	15415.6	18338.40 18/2	14421.80 6/1	1.58	10.6
Rose over two per cent as it tracked other world markets.								
Portugal	BVL 30	3445.41	3425.33	3407.54	3988.81 3/10	2185.57 2/1	1.75	24.4
	PSI 20	8021.02	7970.93	7929.14	8803.52 3/10	5152.34 2/1		
Smaller increase than in other european bourses as investors remained cautious after last week's turmoil.								
Russia	RTS	440.82	422.26	427.20	571.66 6/10	213.38 6/1	na	na
Brokers marked prices up after performances of other markets but were let down by thin trading by wary investors.								
Singapore	SES All-S'pore	424.93	400.40	(c)	573.03 17/2	380.78 28/10	2.26	13.3
	Straits Times	1703.95	1586.07	(c)	2271.88 20/1	1497.03 28/10		
Shares aggressively sought as Indonesian package led to signs of currency stability.								
Slovakia	SAX	175.44	179.92	178.81	208.84 21/3	164.81 22/7	na	na
Losses to several blue chip companies drove shares down slightly amid moderate trading.								
South Africa	JSE Gold	898.7♥	896.2	880.8	1588.10 27/2	861.00 28/10	2.91	13.2
	JSE Indl.	8287.7♥	8130.4	7824.7	9814.20 7/8	7433.30 28/10		
South Korea	KoreaCmpEx**	511.66	470.79	485.08	792.29 17/6	470.79 31/10	2.92	11.2
Foreign buying sparked rally after foreign shareholding limit on most shares was raised to 26 from 23 per cent.								
Spain	Madrid SE	566.46	560.94	585.97	649.20 1/10	434.54 2/1	2.57	19.1
Late profit-taking could not stop the market closing higher as investors were buoyed by the positive trading in the US.								
Sri Lanka	CSE All Share	729.70	728.50	734.00	869.70 31/7	608.70 2/1	na	na
Brokers said foreign funds bought selected blue chips ahead of tomorrow's budget.								
Sweden	AffarsvardsGen	2964.0	2881.7	2873.2	3315.80 7/8	2378.50 2/1	1.52	20.4
Rises on Wall Street and the Hang Seng soothed investors as the bourse closed up almost three per cent.								
Switzerland	SMI Index	5581.6	5457.2	5370.9	6012.80 8/7	3622.90 7/1	1.17	21.3
	SPI General	3535.84	3474.77	3418.43	3776.16 3/10	2506.22 6/1		
Derivatives-related buying and merger rumours following on from the rises in the US and HK pushed the market up.								
Taiwan	WeightedPr.**	7646.35	(c)	7313.40	10116.84 26/8	6844.75 6/1	1.09	25.5
Dramatic rebound in electronics sector - up 6.4 per cent - drove the market sharply higher.								
Thailand	Bangkok SET	447.44	447.21	445.09	858.97 22/1	445.09 30/10	6.05	9.4
Shares marked time as rumours of a change in government circulated.								
Turkey	IMKB Nat 100	(u)	2846.00	2717.00	3543.00 23/10	885.00 2/1	2.1	15.8
Quiet day amid a liquidity squeeze ahead of the inflation data due to be released at market close.								
Venezuela	IBC	9444.23	9289.91†	9212.50	10817.13 17/10	6061.99 12/3	na	na
Zimbabwe	ZSE Industrial	(u)	(u)	10178.32	12081.95 5/8	8839.88 2/1	na	na
WORLD	FT/S&P World($)	(u)	247.63	245.21	269.09 7/10	216.61 14/4	na	na
	MS Capital Intl$	925.3*	911.6	903.0	981.80 31/7	794.50 14/4	na	na
CROSS-BORDER	Eurotrack 100	2516.45	2482.02	2466.83	2794.80 7/8	1863.88 2/1	na	na
	FTSE E100	2155.89	2108.26	2097.41	2355.95 7/8	1582.89 2/1	na	na
	HSBC JC Drgn	(u)	267.38	262.03	434.83 5/8	239.55 28/10	na	na
	ING Brngs Emrg	148.69	144.52	147.52	186.81 9/7	142.38 28/10	na	na

** Sat Nov 1 : Taiwan Weighted Price (c) ; Korea Comp Ex 497.92. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 3 - 3854.07 +127.38. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. ❦ Midsession.

NASDAQ NATIONAL MARKET

4 pm close November 3

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close November 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.125		1050	8.25	2.375	Innogenetics	US$15.75	+1	37975	15.75	9.875
Artwork Systems	US$9		1325	11.125	7.875	Lernout & Hauspie	US$52.375	+1.875	3580	58.625	35
Chemunex	FFr12.5		0	18	10	Memco	US$7.9375	+0.375	40000	9.125	7.1875
Debonair Holdings	GBP3.8	+0.05	834500	7.15	4.05	Mercer Int'l	US$10.375	-0.375	0	12.875	8.125
Dr Solomon's ADS	US$31.25	+1.125	3000	32.375	16.875	NTL	US$26.625	-0.875	2000	28.375	20.5
EDAP TMS	US$7.1875		0	9.125	6.5	PixTech	US$3		0	8.125	3.125
Espace Prod. Int.	FFr98.38	-0.2	1000	117	98	Schneider-Bischmann	Sch1460	-5	4000	1692	900
Esprit Telecom ADS	US$5.125	-0.25	0	12.25	4.875	Topcall Int'l	Sch4305	+47	160	5000	3065
Grupo Formula	ITL22300		4100	22600	22300	Turbodyne Technol.	US$4.95	-0.1	0	6.25	3.73

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FINANCIAL TIMES

Tuesday November 4 1997

Global markets shake off October blues

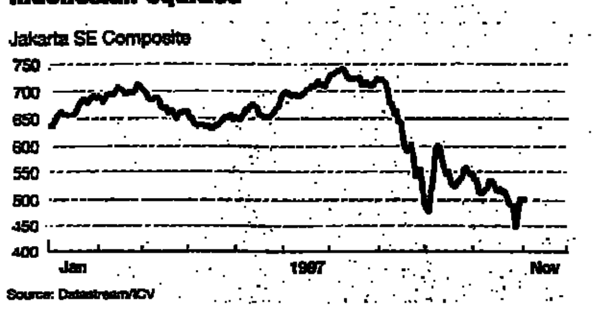
WORLD OVERVIEW

After such a turbulent October for stock markets, November could hardly have started in a more positive fashion, *writes Philip Coggan.*

Asia began the rally, just as it provoked the sell-off. Details of bank closures in Indonesia, part of an International Monetary Fund programme, gave investors some confidence that Asian governments might be willing to restructure their economies.

That took the pressure off many Asian currencies, allowing short-term interest rates to fall. Hong Kong, battered by the effect of the high rates needed to defend its currency, rallied nearly 6 per cent and the Hang Seng index is now 28 per cent above the low recorded a week ago.

Indonesian equities



Source: Datastream/ICV

There were substantial rallies in Singapore and Malaysia, although oddly enough the Jakarta market itself remained stuck in the doldrums.

The good news carried through into Europe, with most leading bourses about 2-3 per cent higher, and to Wall Street, where the Dow Jones Industrial Average gained more than 100 points in the first few minutes of trading.

Latin America joined in the buying spree, with the Brazilian market up 7 per cent and the Argentine bourse up 3 per cent in morning trading.

The latest rise in share prices may turn out to be merely another upward leg in the market's bungee jump but, after a week in which bearish voices reigned, some bulls are coming forward. "In our view, the grounds for a global bear market do not exist," said Joe Rooney, global strategist at Lehman Brothers, in a note published yesterday.

Lehman thinks that, apart from Japan, the effect of the mainland Asian crisis on economic growth will be limited; that equity markets will be supported by lower bond yields; and that, thanks to the setback, shares have fallen to valuation levels not seen since 1992.

The European team at BZW said that "the recent sell-off in international stocks has been pretty indiscriminate. In particular, it's by no means clear that the growth stocks (techs, pharmas and oils) which have fallen sharply are in the same camp as the other industrials. As and when confidence returns to the European markets, these ought to recover."

But the rally still leaves some bears unabashed. Michael O'Higgins, a US fund manager, said yesterday he preferred US Treasury zero coupon bonds to stocks at the moment, believing that a 5 per cent long bond yield was not out of the question.

"It is significant that bonds and stocks are now moving in opposite directions on a regular basis," he added.

Dow surges as investors hunt bargains

AMERICAS

Wall Street held on to morning gains after a burst of energetic buying sent the Dow Jones Industrial Average higher by more than 100 points in the first half-hour of trading, *writes John Labate in New York.*

By 1pm the Dow was 170.18 or 2.29 per cent ahead at 7,612.26. The broader Standard & Poor's 500 index was similarly strong, up 20.2 at 934.79, while the Nasdaq composite index, which is heavily weighted in technology issues, gained 1.8 per cent or 28.04 points at 1,621.65.

"We've got a low-volume rally today, concentrated mainly in the blue-chip stocks," said Arthur Hogan at Morgan Stanley.

The trepidation that hung over US equities through most of last week was replaced with a mood of bargain-hunting. "We're not going to bed at night with the fear that we're living on the verge of a virtual meltdown based on Hong Kong," said Mr Hogan.

Among Dow stocks, Sears Roebuck surged more than 5 per cent to $44⅞ after Bear Stearns raised the stock to a "buy". International Paper also rose 5 per cent at $47¼ while General Electric Shares added $2⅞ at 67\frac{1}{16}$.

Following last week's trend, the Treasury market moved lower as stocks rallied. By midday the benchmark 30-year Treasury bond had lost $\frac{22}{32}$ at 102⅞, lifting the yield to 6.194 per cent. Banking stocks responded by trading higher. BankAmerica rose 2\frac{1}{16}$ to 73\frac{3}{16}$.

The new bid by Hilton Hotels for ITT sent shares in both companies modestly higher. ITT gained 1\frac{13}{16}$ to $76½ and Hilton $$\frac{7}{16}$ at $31¼. Shares in rival bidder Starwood Lodging fell $1⅝ to 58\frac{7}{16}$.

Trailing the performance of the Dow blue chips, but still gaining strongly, were computer-related stocks. The Pacific Stock Exchange's technology index gained nearly 3 per cent to 310.09.

Internet company ETrade rose $1⅝ at $32½ as the group announced a new mutual fund service. Computer networking shares did exceptionally well with 3Com surging more than 6 per cent or 2\frac{5}{16}$ to $44 on the announcement of an alliance with Motorola and others for a new paging product.

TORONTO pushed ahead strongly in early trading with an active banking sector leading the way. The 300 composite index was 91.34 higher at 6,933.70 at noon.

Banks were a strong market from the opening bell with Royal Bank of Canada ending the morning session with a gain of 85 cents to C$76.20 and Bank of Montreal putting on C$2.00 to C$62.85. Toronto-Dominion Bank climbed C$1.60 to C$53.25.

Elsewhere among leaders, BCE rose 95 cents to C$40.20, Alcan Aluminium 75 cents to C$40.75 and Seagram 40 cents to C$48.00. Acquisition news lifted telecoms equipment group Northern Telecom by C$2.65 to C$128.85.

In golds, Barrick added 55 cents to C$29.40 and Placer Dome improved 40 cents to C$22.25.

São Paulo leads the way

SAO PAULO led the Latin American bourses higher as stocks surged 7.1 per cent in the morning session. Dealers reported investors actively buying as last week's currency fears eased, helped by a strong opening on Wall Street.

The mood was also helped by reports that a central bank director had hinted at possible interest rate cuts in the first quarter of next year. The Bovespa index rose 640 to 9,627.

Telecommunications bellwether Telebras was a strong feature, rising R$5.51 to R$103.50.

MEXICO CITY also rose, but less exuberantly than its neighbours.

By noon, the IPC index stood at 4,767.05, up 119.21 or 2.6 per cent. Dealers said the market was expected to continue tracking Wall Street closely.

BUENOS AIRES continued Friday's recovery, cheered by rises in Hong Kong and neighbouring Brazil. At the end of the morning session, the Merval index was 20.12 higher at 680.36.

Bourses bounce with the dollar

EUROPE

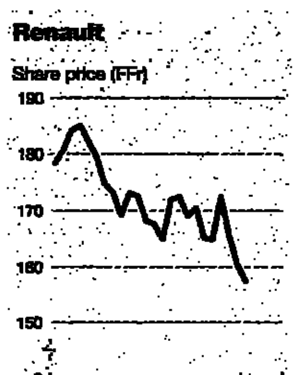
Bourses notched up solid gains, bouncing off the turnround in Asia in the morning and taking further heart from the strong dollar and the early surge on Wall Street.

PARIS had a volatile session, comfortably breaking above the 2,800 level at one stage on the CAC 40 index only to slip back to 2,787.96 at the close, a gain of 48.66. Volume was modest at 12.5m shares.

French car sales figures for October sent the sector spinning in both directions with Renault reacting to a 21 per cent slide in new vehicle volumes with a FFr3.00 decline to FFr157.5, a rare faller among CAC components. Peugeot, in contrast, gained FFr19.00 to FFr672 and Michelin added FFr12.30 at FFr308.2.

Usinor put on FFr1.50 to FFr97.00 on news of additional investment in a Spanish joint venture. Financials were mixed after the big French banks lifted base rates. BNP rose FFr8.00 to FFr263. Deutsche Morgan Grenfell upgraded Axa-UAP to "overweight" and the shares rose FFr5.60 to FFr400.6 against the broker's target price of FFr480.

Renault



Source: Datastream/ICV

FRANKFURT had a positive day in dull volume with the Ibis-indicated DAX index closing up 94.07 at 3,847.73.

Two corporate stories dominated the day. First, there was further confirmation that the alliance between Krupp and Thyssen may go ahead as the two companies announced they were consulting with the finance ministry of North Rhine and Westphalia about the implications of a merger. Krupp closed up DM19.7 at DM350.5 and Thyssen up DM30 at DM410.5. Both shares had their most active trading day of the year.

The other story was the announcement of Volkswagen's nine-month results, which were broadly in line with analysts' expectations. Profits rose 13 per cent to DM84bn and the VW share price added DM49.00 at DM1,068.

AMSTERDAM made steady progress on thin volume, supported by the firmer dollar. The AEX index ended 23.20 higher at 882.77.

KLM rose Fl 3.20 or 4.7 per cent to Fl 68.90 ahead of today's six-months results statement, with the airline widely expected to turn in strong numbers. Among dollar-sensitive shares, Royal Dutch added Fl 3.80 to Fl 106.50 in advance of Thursday's third-quarter earnings. Retailer Ahold, which has big US-based operations, jumped Fl 2.20 to Fl 51.90.

Nedlloyd made heavy weather of the upturn, adding 30 cents to Fl 58.00 following a move from "buy" to "sell" at ING Barings.

ZURICH added 114.4 to 5,581.6 on the SMI index. Baloise gained SFr105 to SFr2,625 as merger rumours resurfaced around the insurance group. CS Group, seen as a strong contender to buy UK broker BZW, added SFr10.25 to SFr207.5.

MILAN was lifted by news that the government had reached a long-awaited accord with the unions over pensions reform. Investors hailed the accord as another step towards joining the single currency and the green light for early interest rate cuts. The Mibtel index rose 325 to 15,089.

October's public borrowing figures added to the cheer, with analysts saying that Italy was firmly on course to meet the Maastricht deficit criterion.

Nearly 1 per cent of the market's rise was attributed to oil giant Eni, which rose L376 or 3.9 per cent to L9,945, recouping last week's losses amid an upsurge of positive sentiment.

Among stocks battered in last week's turmoil, Pirelli made a strong recovery, rising L138 to L4,449. However, Fiat, another of last week's losers, failed to build on an early rally and ended L12 down at L5,359 as investors continued to fret about a Latin American sales slump.

The bourse's new mid-cap Midex index, launched yesterday, made a strong debut, rising 2.1 per cent. Dealers reported heavy trading in Midex constituents after the market opened. SAI was a beneficiary, rising L794 to L17,030.

MADRID finished a nervous day's trading with a burst of profit-taking. Dealers said the market was still unnerved by last week's volatility, and the general index edged 5.52 higher to 566.46.

This was in spite of Lehman Brothers raising its weighting for the Spanish market from 2 per cent to 6 per cent, citing recent underperformance. "In recent days, value has emerged because of concerns about Latin America and Brazil which we think are unwarranted," said Ian Scott, Spanish market strategist.

Banks hit in last week's turmoil staged a rally, with Banco Bilbao Vizcaya up Pta80 to Pta3,970 and Argentaria up Pta270 at Pta8,350. Hotel group Sol Melia, which was also caught up in last week's sell-off because of its Latin American interests, rose Pta250 to Pta4,645.

FTSE Actuaries Share Indices — European series

November 3

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	926.01	+2.19	+19.85	2.39	0.07	930.53
FTSE Eurotop 100	2156.89	+2.26	+47.63	-	-	-
FTSE Eurotop 300 Regions						
300 UK	936.00	+2.38	+21.77	3.28	0.07	944.93
300 Ex-UK	920.90	+2.08	+18.76	1.88	0.07	922.96
300 Eurobloc	908.66	+2.13	+18.93	2.10	0.11	911.81
300 Ex-Eurobloc	939.25	+2.23	+20.53	2.59	0.04	944.89
FTSE Eurotop 300 Economic Groups						
Resources	952.54	+2.92	+27.02	2.86	0.00	964.22
General Industries	910.54	+2.34	+20.84	2.15	0.10	912.04
Consumer Goods	903.27	+1.63	+14.52	2.00	0.00	906.83
Services	951.54	+1.98	+18.60	2.30	0.00	956.14
Utilities	929.74	+1.36	+12.49	3.17	0.00	935.05
Financials	929.15	+2.56	+23.15	2.41	0.17	933.68

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997 All rights reserved.

Written and edited by Jeffrey Brown, Jonathan Ford and Steve Conn.

SOUTH AFRICA

Shares in Johannesburg moved ahead strongly amid strong institutional buying and what brokers described as significant upward pressure from the futures market. The all-share index ended 140.9 or 2.1 per cent higher at 6,730.0.

Industrials gained 156.6 to 8,287.0 and the golds index put on 1.7 per cent to 678. Among leading stocks, Anglo American rose R10 or 4 per cent to R218.

Asia rallies on currency hopes

ASIA PACIFIC

Asian markets rallied strongly yesterday after Indonesia's $37bn rescue package appeared to stabilise currencies and throw the region a much needed lifeline. Singapore and Malaysia both rose more than 7 per cent.

HONG KONG made significant gains for the second session running, with the Hang Seng index adding 631.33 at 11,255.11 for a two-day advance of 8.5 per cent.

Index heavyweight HSBC jumped HK$10.50 to HK$185.50 and Sung Hung Kai gained HK$3.50 to HK$60.50. Redchips continued to power forward. The China Affiliated Corporations index rose 12.7 per cent to extend its rally to 22 per cent in two days. Newcomer China Telecom rose HK$1.60 to HK$13.95.

TAIPEI rose 332.95 or 4.6 per cent to 7,646.35 on the weighted index after strong buying of the electronics sector, which rallied 6.4 per cent.

Brokers said bargains were most in evidence in electronics where share prices had broadly halved over the past two months. Microchip giants Taiwan Semiconductor and United Microelectronics both finished limit up, the former gaining T$6.50 to T$104 and United surging T$4 to T$66.

"Hong Kong's 8.5 per cent rebound in two sessions has done wonders for our sentiment. The near-term resistance level now looks to be around 8,000," said one dealer.

CHANGES ON THE DAY

	% change
Bangkok	+0.05
Hong Kong	+5.9
Jakarta	+0.3
Kuala Lumpur	+7.8
Manila	+0.4
Seoul	+2.9
Singapore	+7.4
Sydney	+1.6
Taipei	+4.6
Wellington	+1.5

SINGAPORE was pulled higher by heavy demand for property shares, and at the close the Straits Times index was up 117.88 or 7.4 per cent at 1,703.95. The property sector index jumped 8.7 per cent, with Bukit Sembawang surging S$1.60 to S$13.60. City Developments gained 70 cents to S$7.30 in more than 3m shares traded.

KUALA LUMPUR gained 52.03 or 7.8 per cent to 716.72 with the composite index ending at a high for the session. A better day for the ringgit helped spark bargain hunting. Sime Darby rose 35 cents to M$5.15.

The upturn helped Globetronics Technology and Kenmark Industrial make strong debuts. Globetronics ended at M$4.50 against a flotation price of M$3.8, while Kenmark closed at M$4.50 against M$4.00.

JAKARTA had a mixed session to close with the composite index up just 1.29 at 501.71 after touching a high for the session of 514.72. The rupiah rose strongly on the foreign exchanges, but the share market failed to totally shake off its recent pessimism. There was said to be heavy profit-taking late in the day.

BANGKOK traded fairly narrowly as political uncertainty kept sentiment in check. Banks were busy, with the sector rising 2.2 per cent, but the overall market ended little changed. The SET index closed 0.05 higher at 447.44. Market gossip centred on a change of government amid rumours of top level political resignations. TV operator BEC World was the day's most active stock, adding Bt16 at Bt222.

SYDNEY closed sharply higher as investors sought out higher yielding stocks. The All Ordinaries index gained 39.0 or 1.6 per cent at 2,503.8, its high for the session. Golds apart, the market ran ahead strongly.

Banks were helped by talk of share buy-backs following Westpac's plans to repurchase a further 85m shares. Westpac jumped 27 cents to A$8.55. Commonwealth added 80 cents at A$17.15 and NAB, which reports annual results on Thursday, improved 54 cents to A$19.99. Westpac rose 27 cents to A$8.55.

Among golds, Normandy fell 8 cents to A$1.54 and Newcrest 21 cents to A$2.09.

WELLINGTON saw a 30 cents rise to NZ$8.08 in NZ Telecom on foreign buying and the 40 capital index gained 34.38 to 2,390.20, having traded in a range between 2,348 and 2,406.

Tokyo was closed for a national holiday

EMERGING MARKET FOCUS

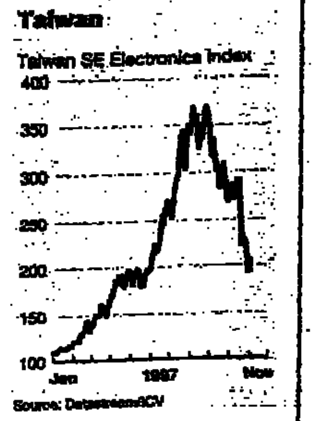
Taiwan's techs confound hopes

When Asian currencies started falling like ninepins, dragging stock markets down with them, investors looked to exporters for protection.

Palm oil producers and rubber plantations were among the industries back in fashion. And briefly, it seemed the electronics sector – an important stock market component in Taiwan and South Korea – might follow suit.

Recent sharp falls in the value of Taiwanese electronics stocks seem to have confounded that hope. Since peaking in August, Taipei's electronics subindex has dropped by about 44 per cent. By the end of last week, most technology shares were trading on lower price-earnings ratios than the overall market.

Taiwan



Source: Datastream/ICV

Taiwan's trend has been matched elsewhere. In South Korea, electronics shares are down 43 per cent over the same period. Jardine Fleming's $55m Pacific Technology Trust, launched in September, stands at a 13 per cent discount to net assets.

Part of the problem is the liquidity squeeze afflicting Asian markets. When markets fall suddenly, larger liquid stocks, which include many technology shares, are singled out for selling. But it would be wrong to see the falls as simply the result of broad market movements.

Overhanging Asia's technology sector are questions about the region's future. How will Asia's expected recession affect growth in the personal computer market? Will companies burdened by foreign currency debt simply go for volume to generate cashflow, disrupting the balance of supply and demand in the memory chip industry?

To date, most of the answers have been negative. Last week, US stock broker Smith Barney became the latest to express concern about the chip market, warning that slower growth in Asia would probably cut the worldwide sales growth of personal computers from 17 per cent to 15 per cent next year, exacerbating existing overcapacity problems.

Other analysts, such as Charles Brock at Foreign & Colonial, believe heavily indebted Korean chipmakers will crank up capacity to service dollar-denominated debts, thus delaying a recovery in the memory chip market.

These concerns are matched by structural worries about the Asian technology sector, its lack of proprietary technology, and its dependence on high volume contract manufacturing for which its rising cost base makes it ill-suited.

One problem is a lack of diversity. The Korean high-tech sector is focused on the manufacture of memory chips, and although Taiwan has more strings to its bow, personal computer hardware remains the core of its technology industry.

Taiwan's advantage is that most of its high-tech companies are ungeared, unlike Korea, where SBC Warburg estimated that the sector's borrowings were equivalent to three times the value of its equity.

Balance sheets have become the key issue for investors in Asia.

Jonathan Ford